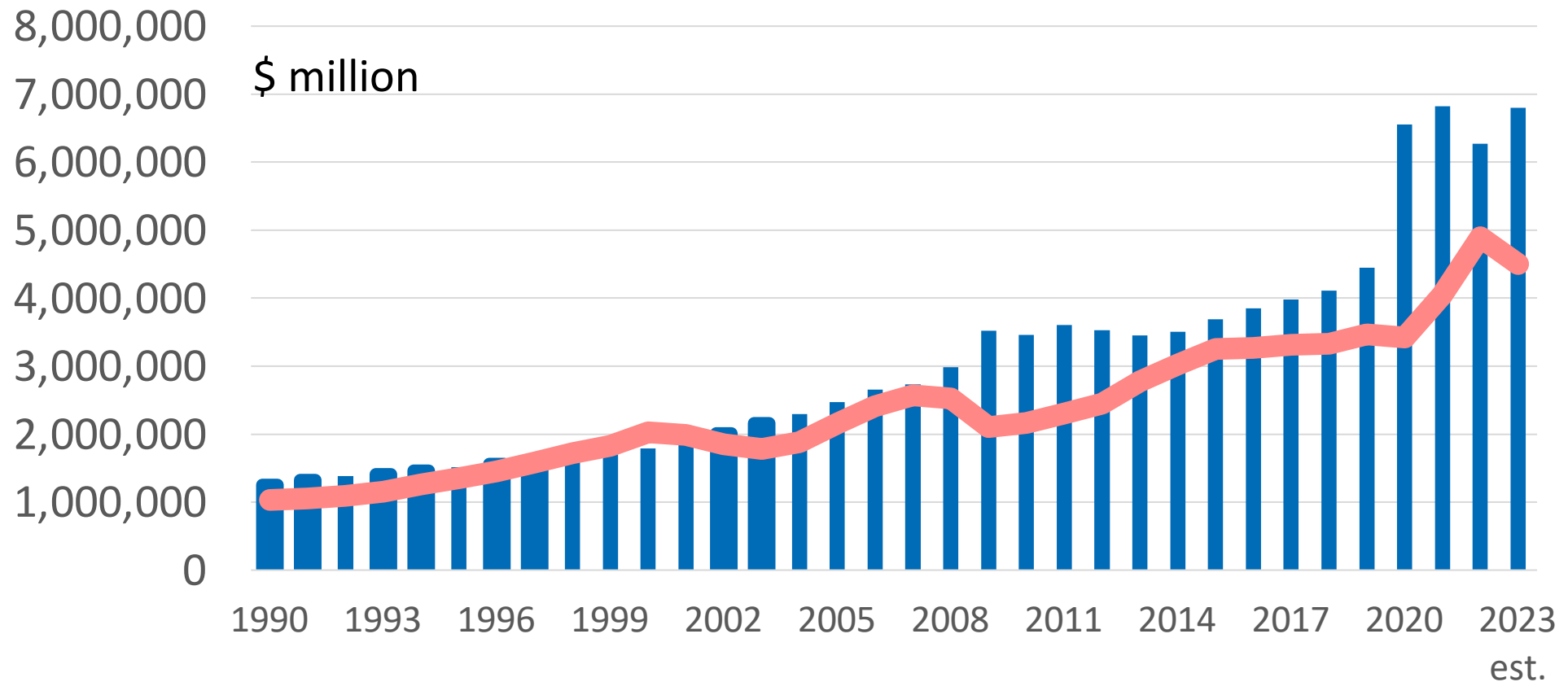


# Real Estate Market Outlook

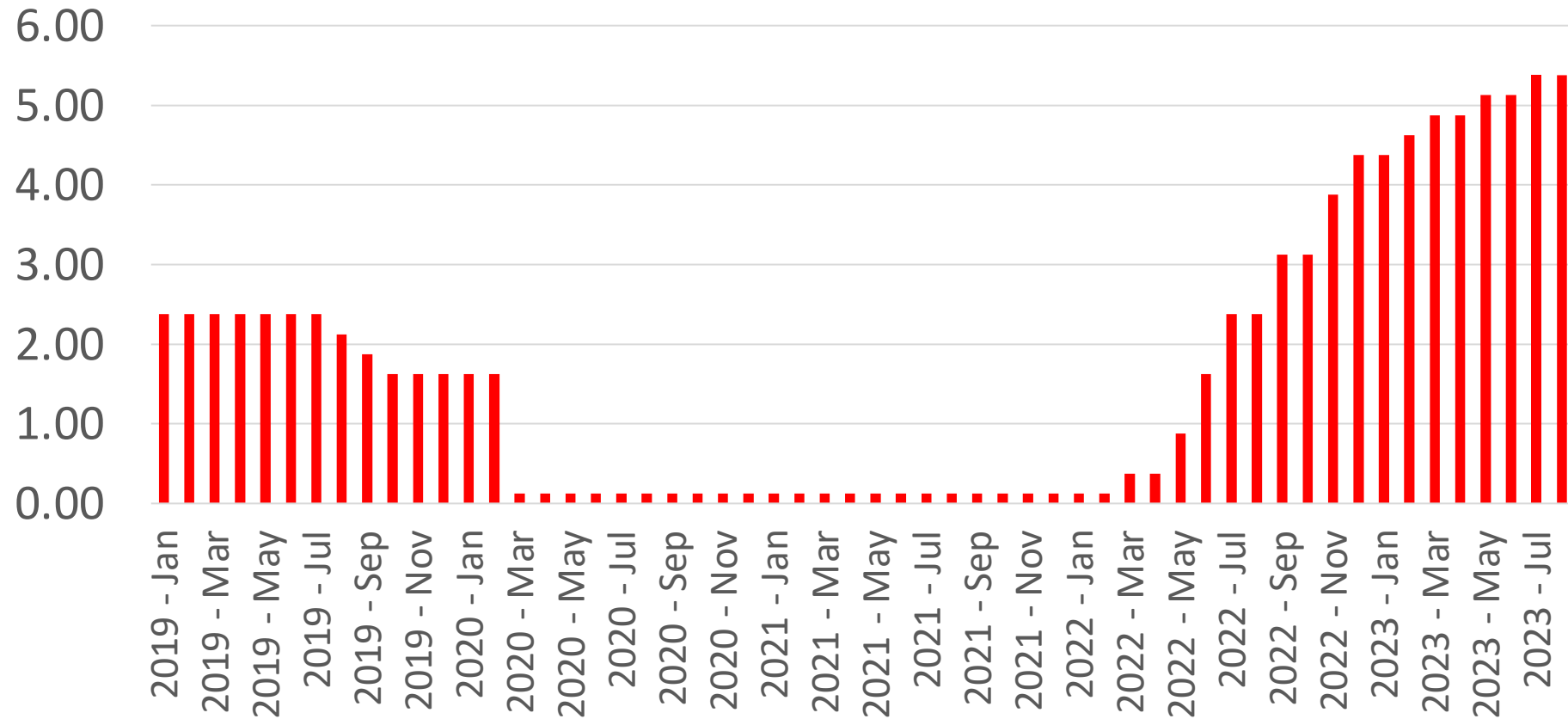
**Lawrence Yun, Ph.D.**  
**Chief Economist**  
**National Association of REALTORS®**

# Downgrade of USA Debt ???

**Federal Outlay (blue bar) > Tax Receipts (orange line)**

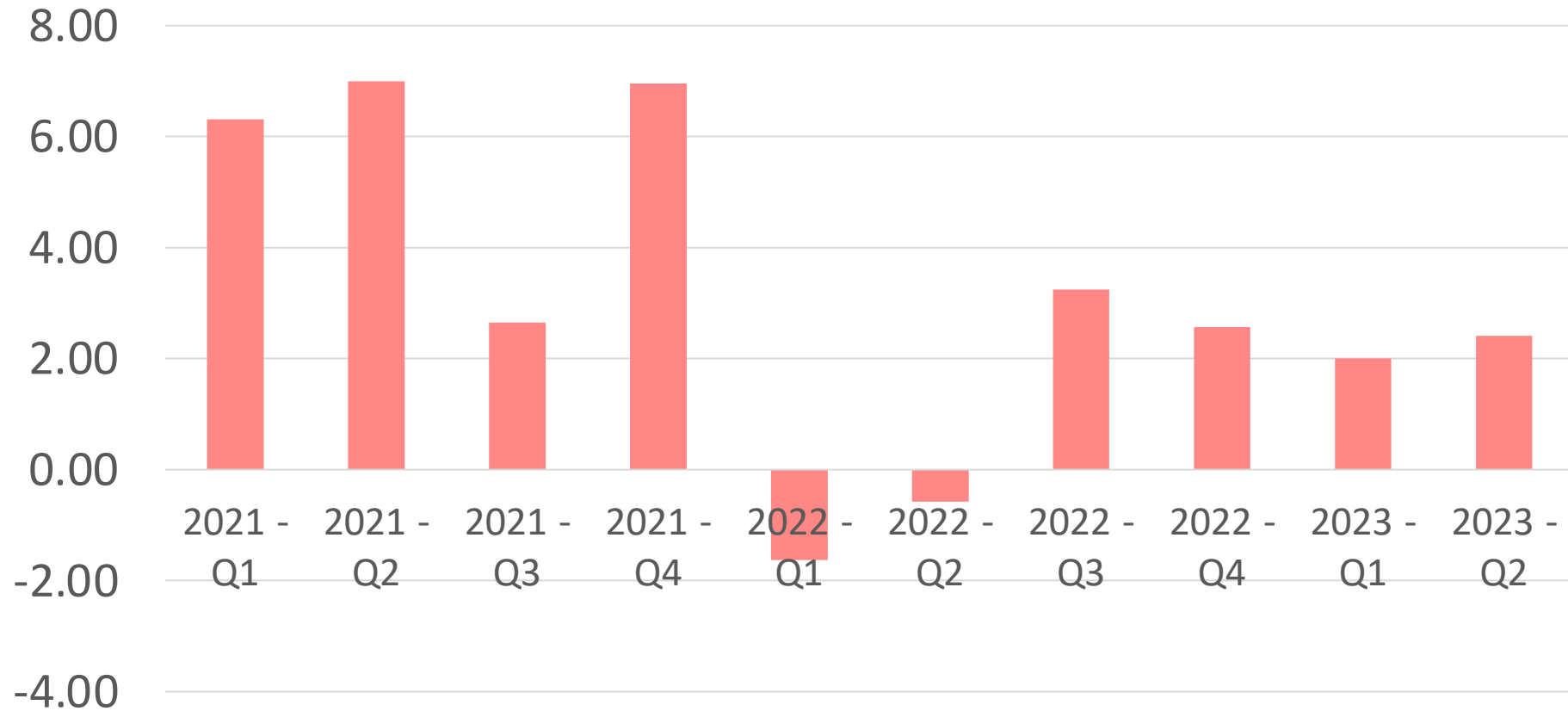


# Federal Reserve Rate Hikes ... Next meeting in late September



# GDP Growth Rate

## % change annualized

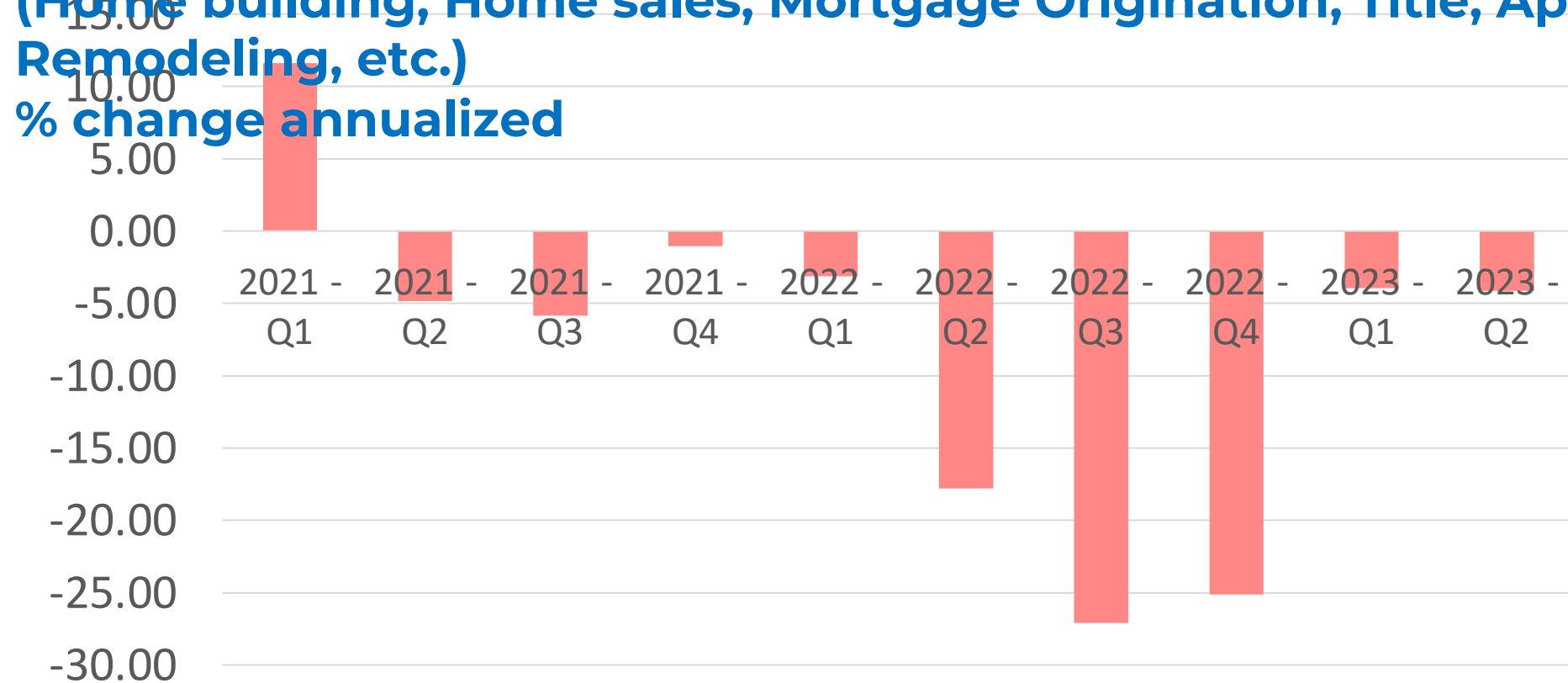


Source: Department of Commerce

# GDP Component on Residential Housing Investment

(Home building, Home sales, Mortgage Origination, Title, Appraisal, Remodeling, etc.)

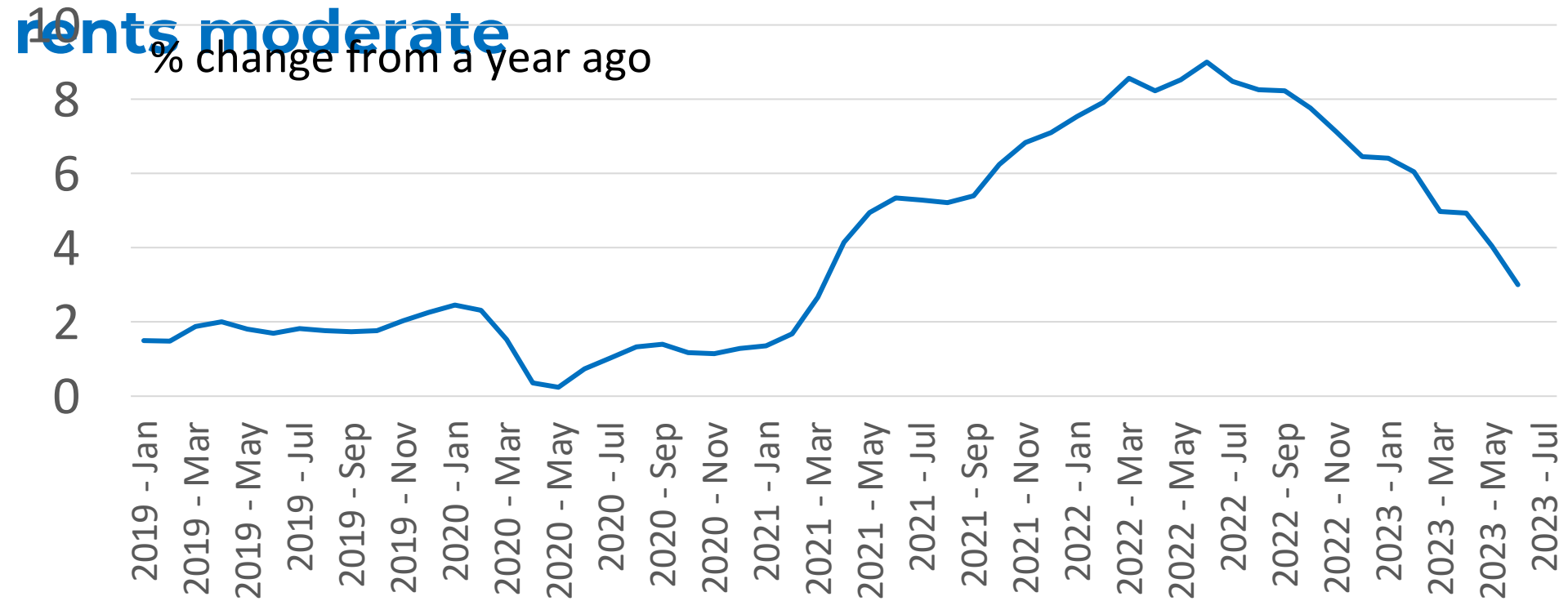
% change annualized



Source: Department of Commerce

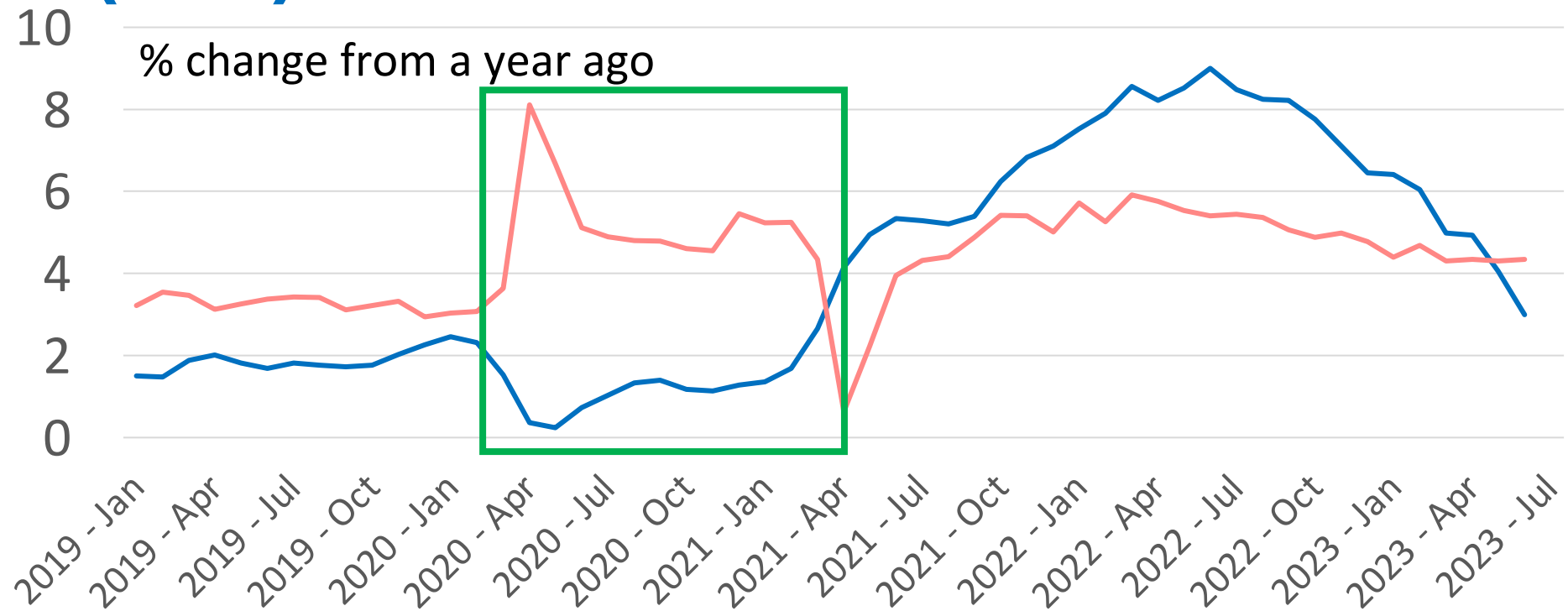
# Inflation Steadily Calming Down ... 3% in June

## With more deceleration underway as wage and rents moderate



Source: BLS

# Wage Growth (red) now outpacing Inflation (blue)



Source: BLS

# Price Growth by Key Items

| Item                                     | % change from a year ago |
|--|--------------------------|
| Car Insurance                            | 16.9%                    |
| Rent                                     | 8.3%                     |
| Food                                     | 5.8%                     |
| Electricity                              | 5.4%                     |
| Lodging Away from Home<br>(Hotel/Airbnb) | 5.0%                     |
| New Car                                  | 4.1%                     |
| Clothes                                  | 3.1%                     |
| Medical Service                          | -1%                      |
| Airfare                                  | -13%                     |
| Gasoline                                 | -27%                     |

Source: BLS



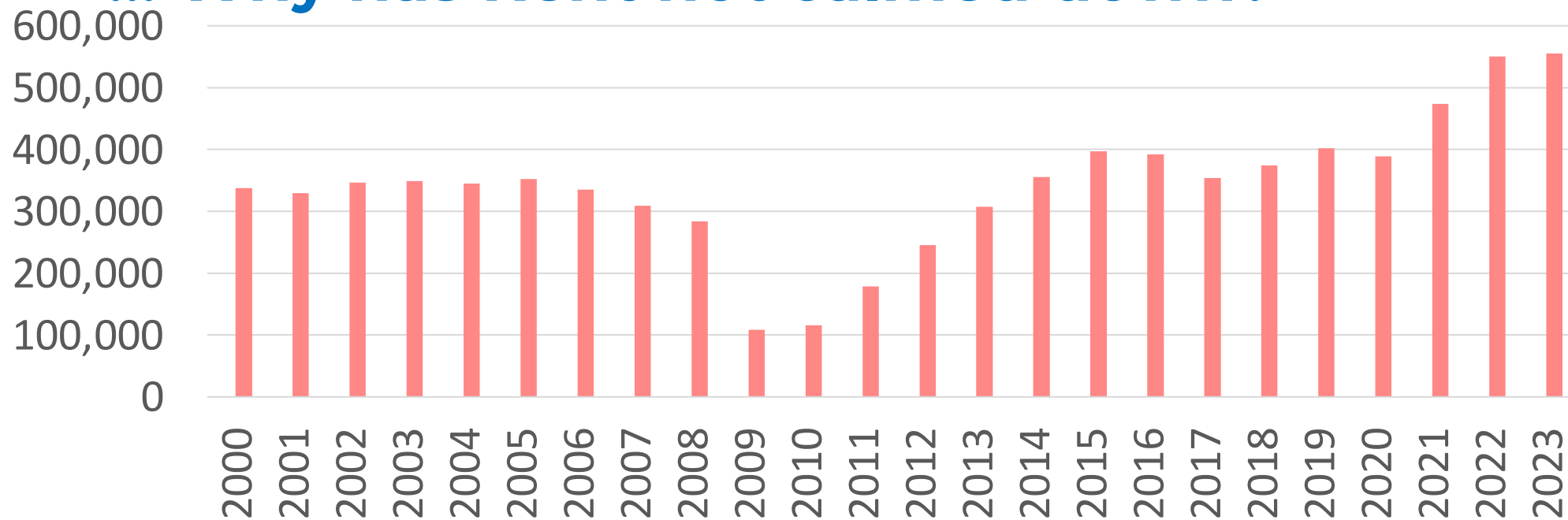
## Rent of Primary Residence ... Start of Deceleration



Source: BLS

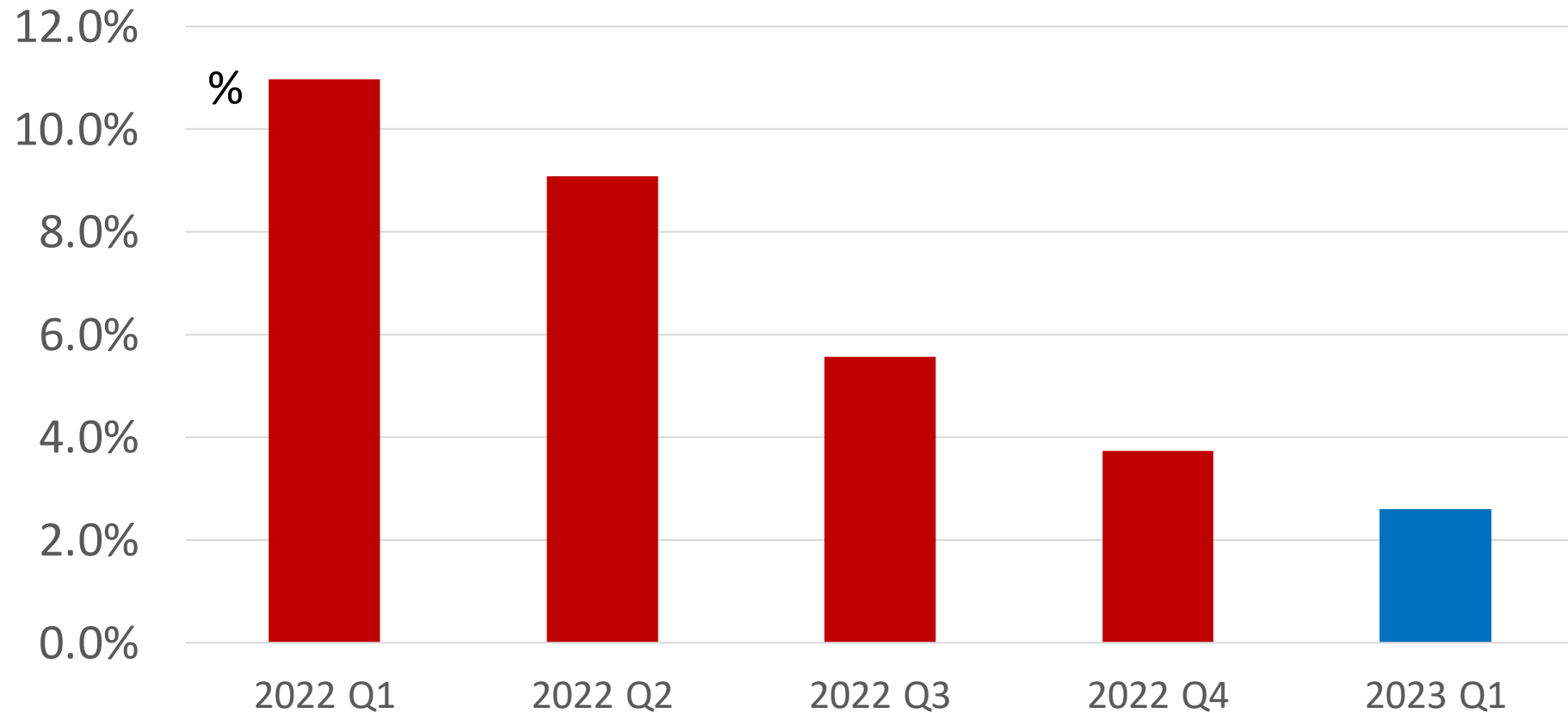
# Annual Apartment Construction of 40 year high

... Why has Rent not calmed down?



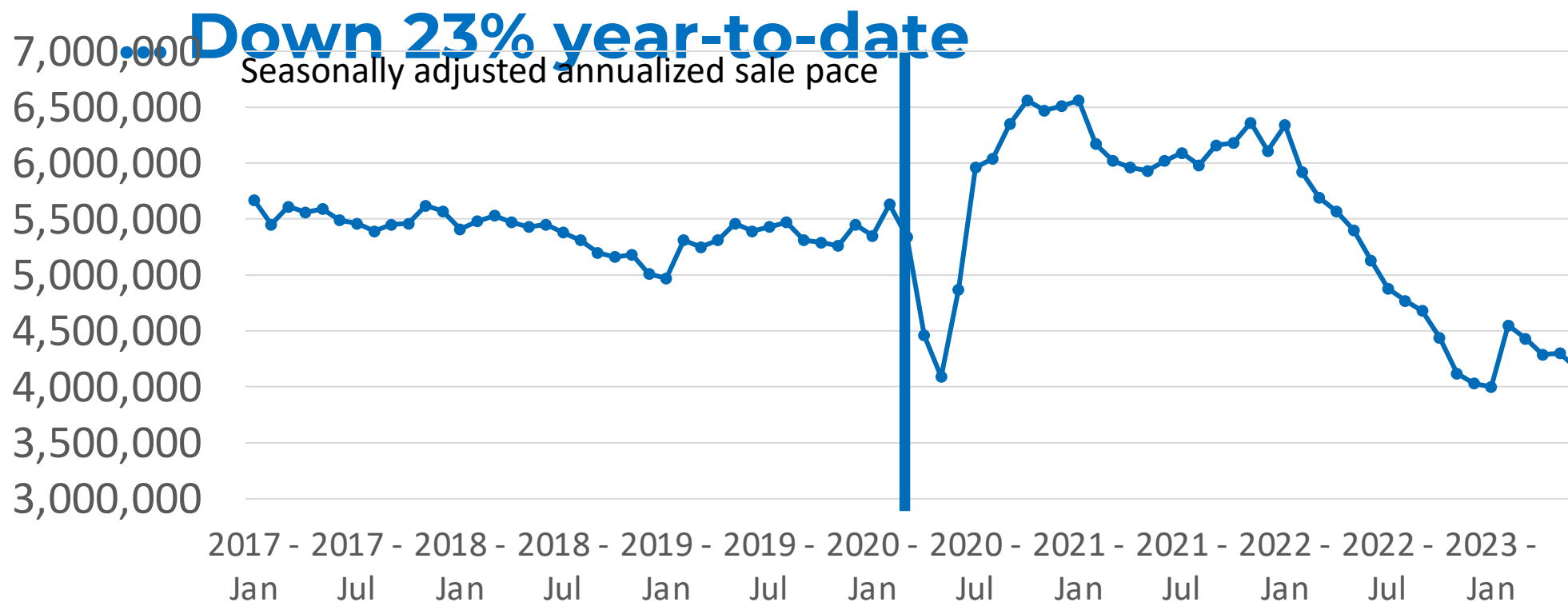
Source: Census/HUD

# Apartment Rent Growth in Private Sector Data



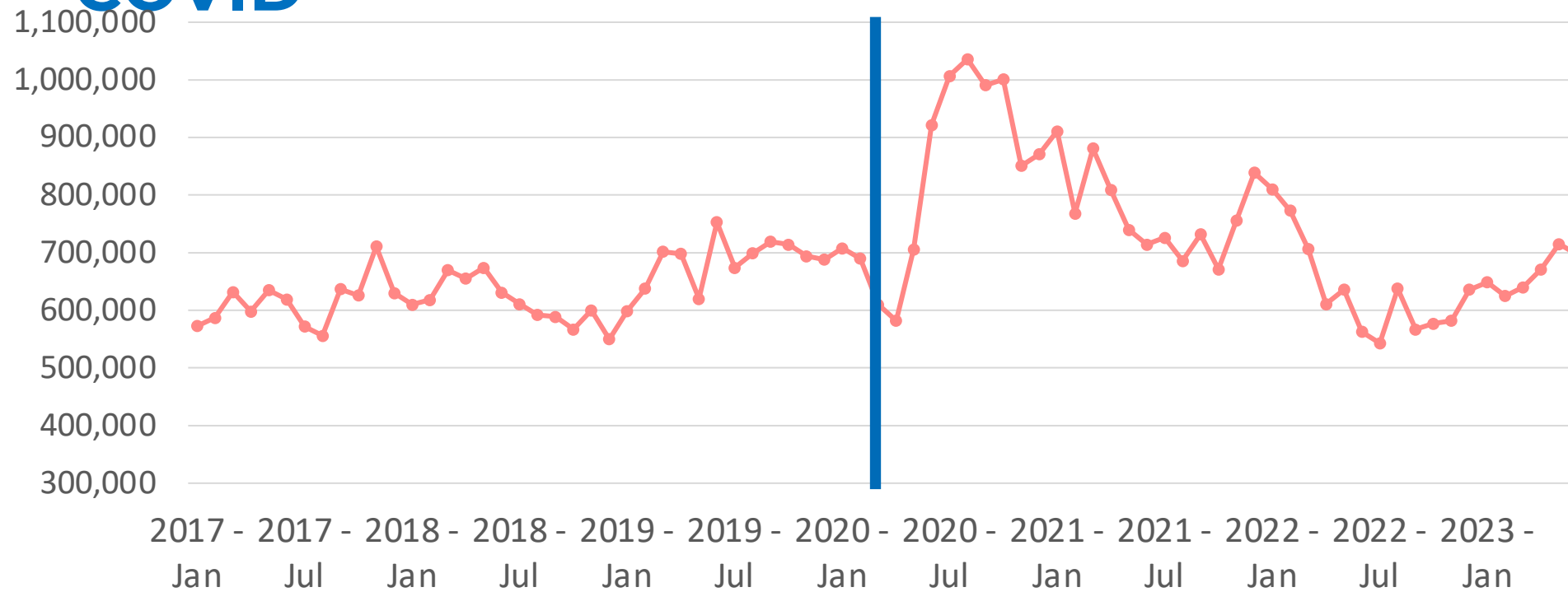
Source: CoStar

# Weaker Home Sales ... Existing Home Sales below Pre-COVID



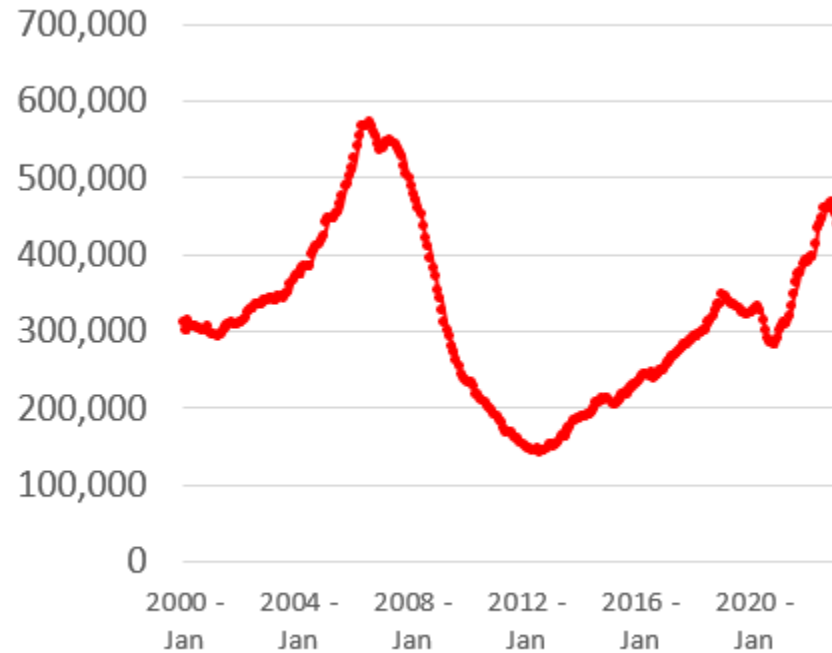
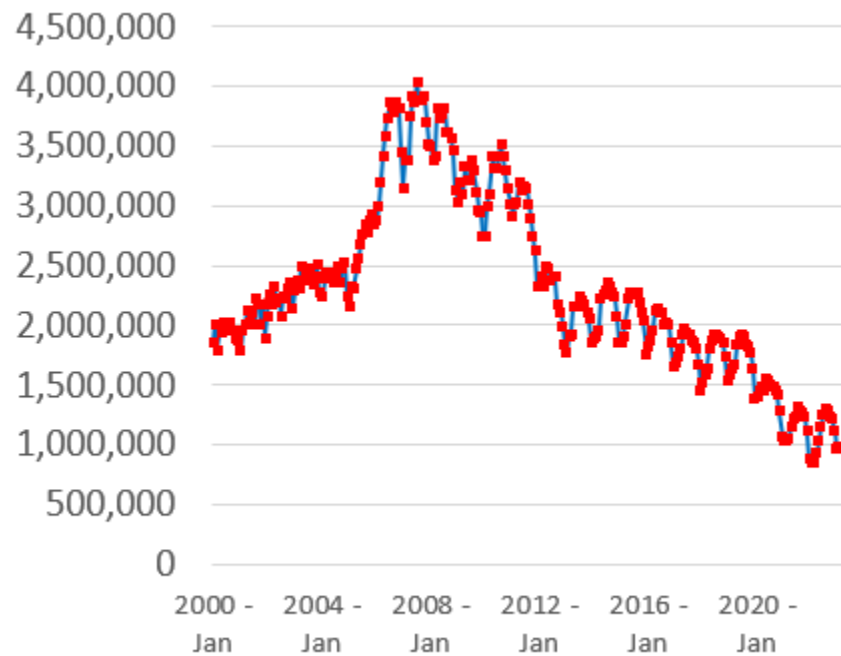
Source: NAR

# Newly Constructed Home Sales ... Back to Pre-COVID



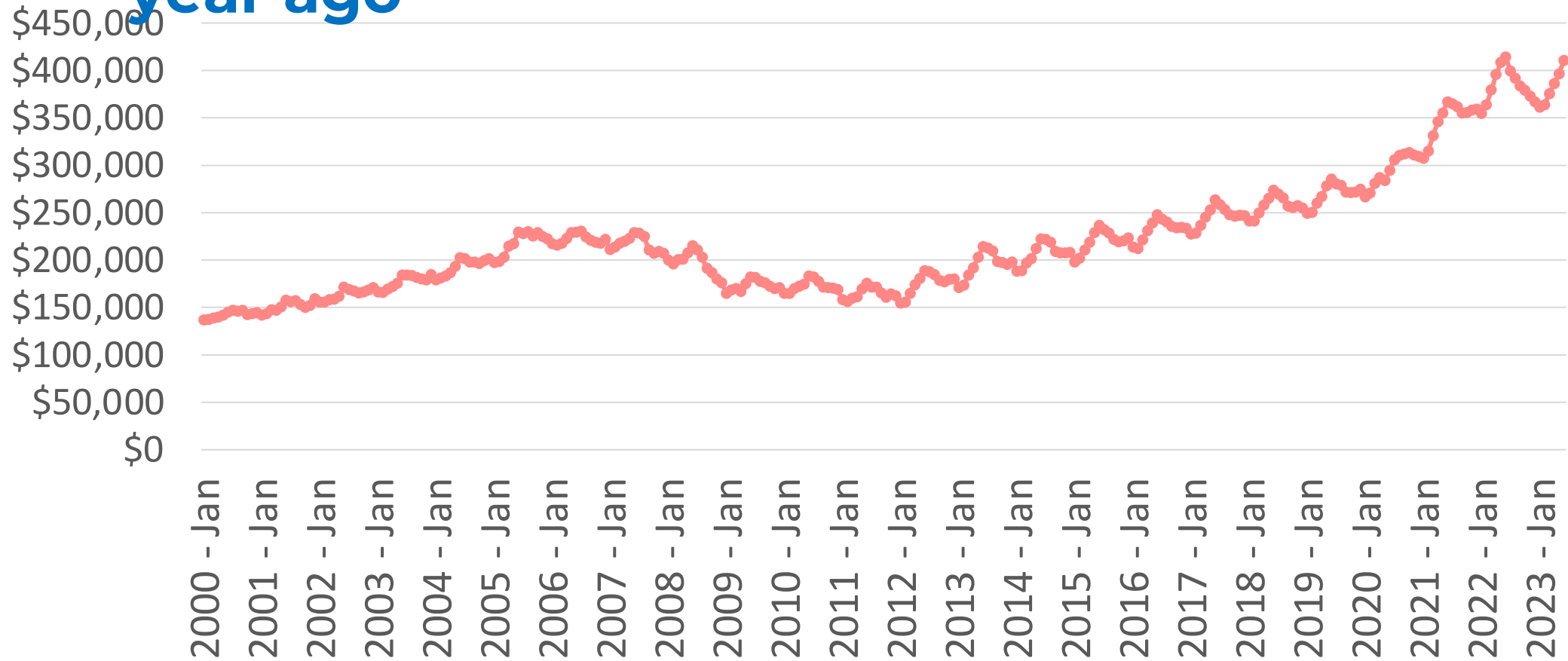
Source: HUD

# Inventory of Existing Homes Low ... New Homes High



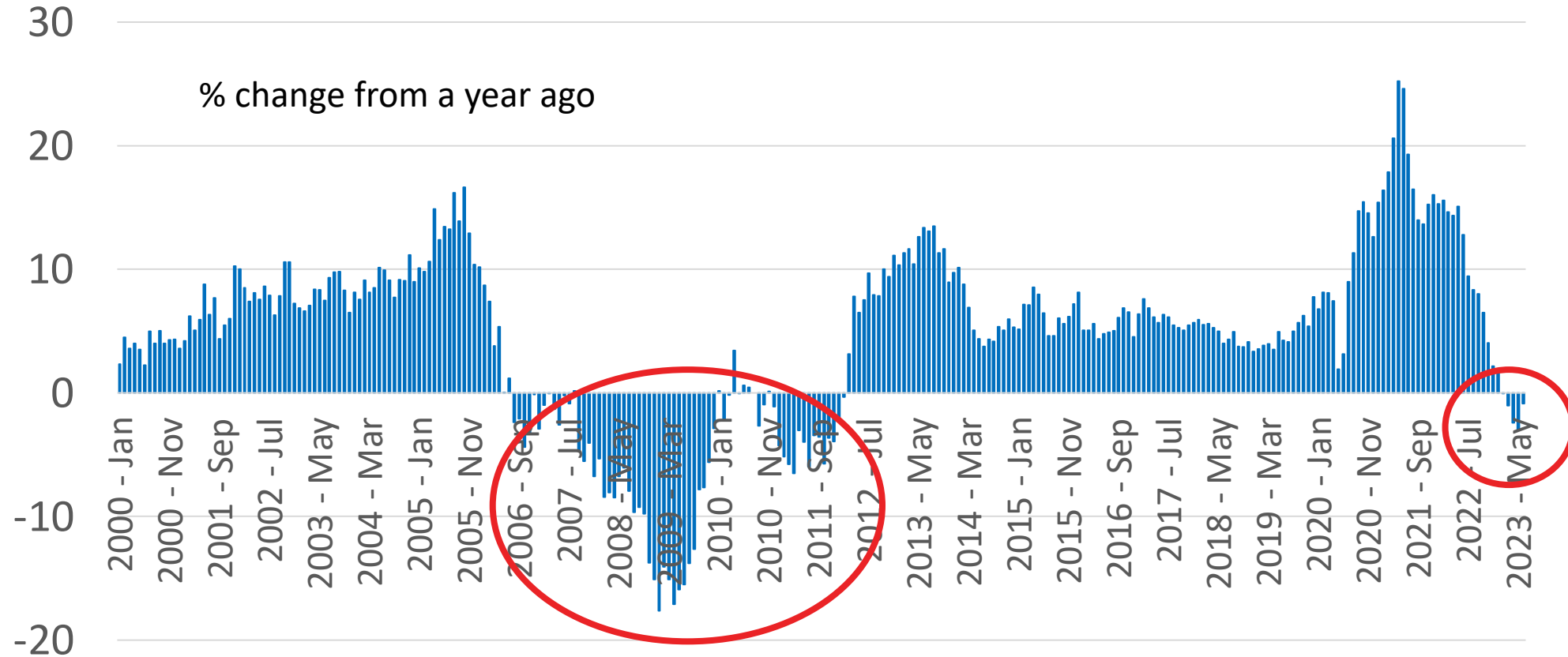
Source: NAR and HUD

# National Median Home Price ... Down 1% from one year ago



Source: NAR

# Median Home Price Change ... Recent Declines Ending?

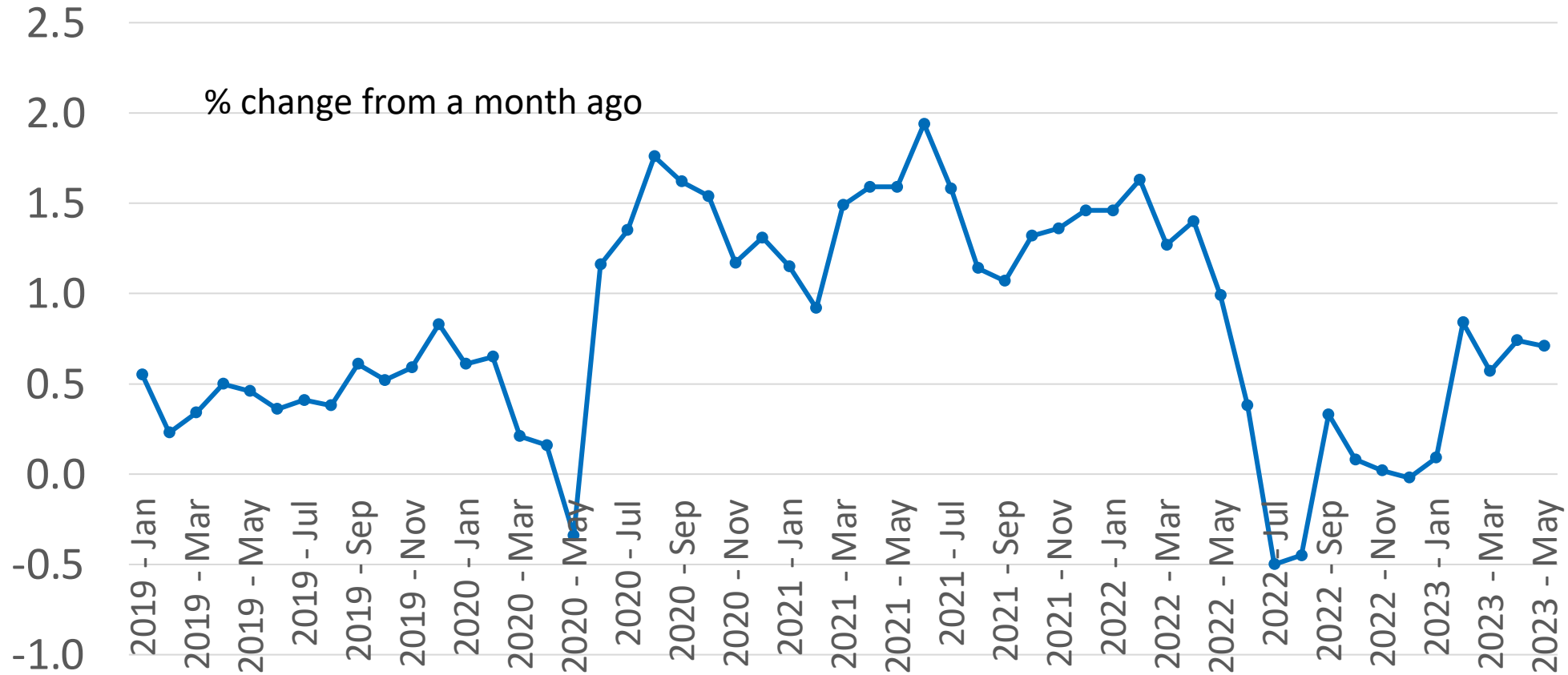


Source: NAR



# Federal Housing Finance Agency Price Index ...

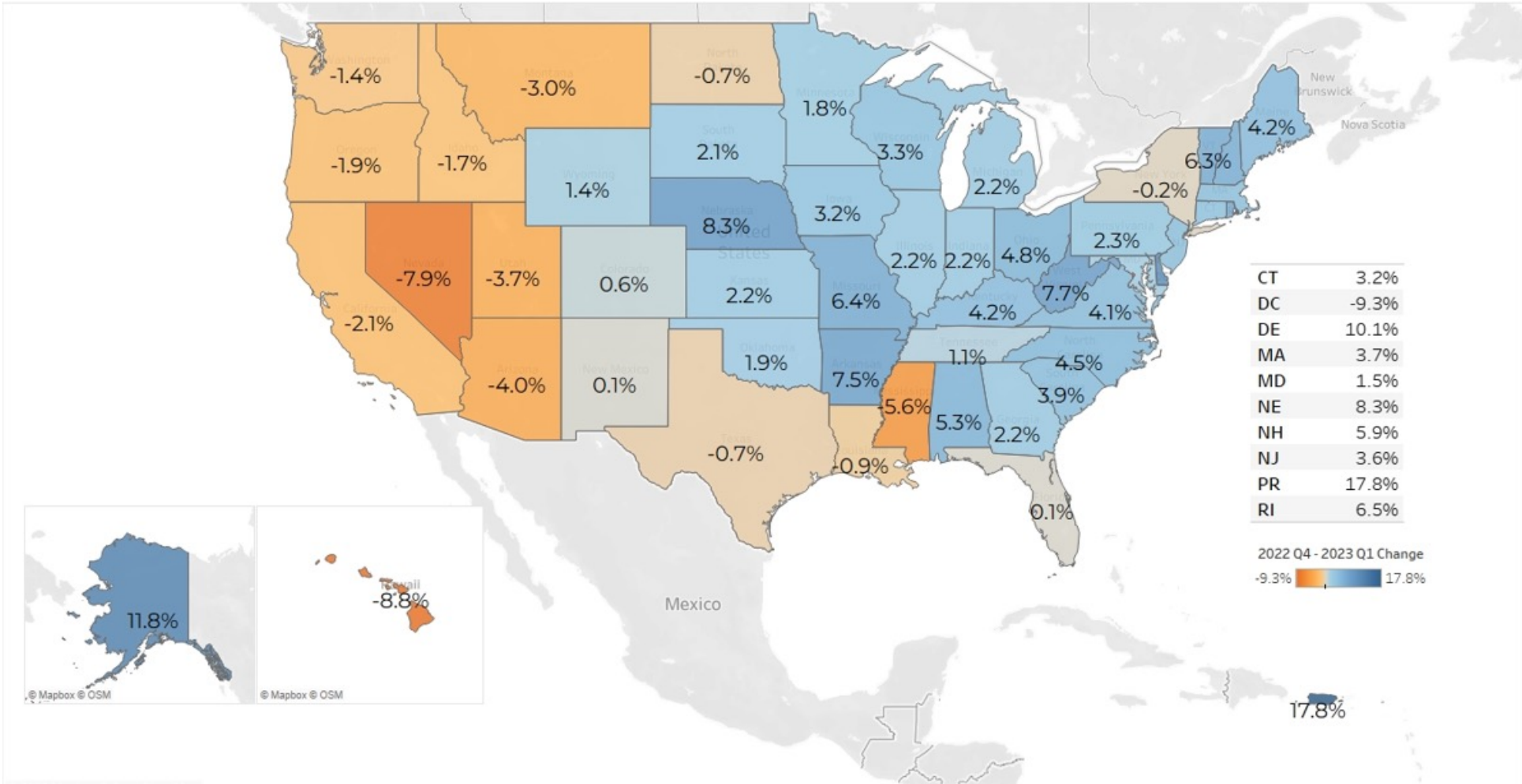
## Monthly Change



Source: FHFA

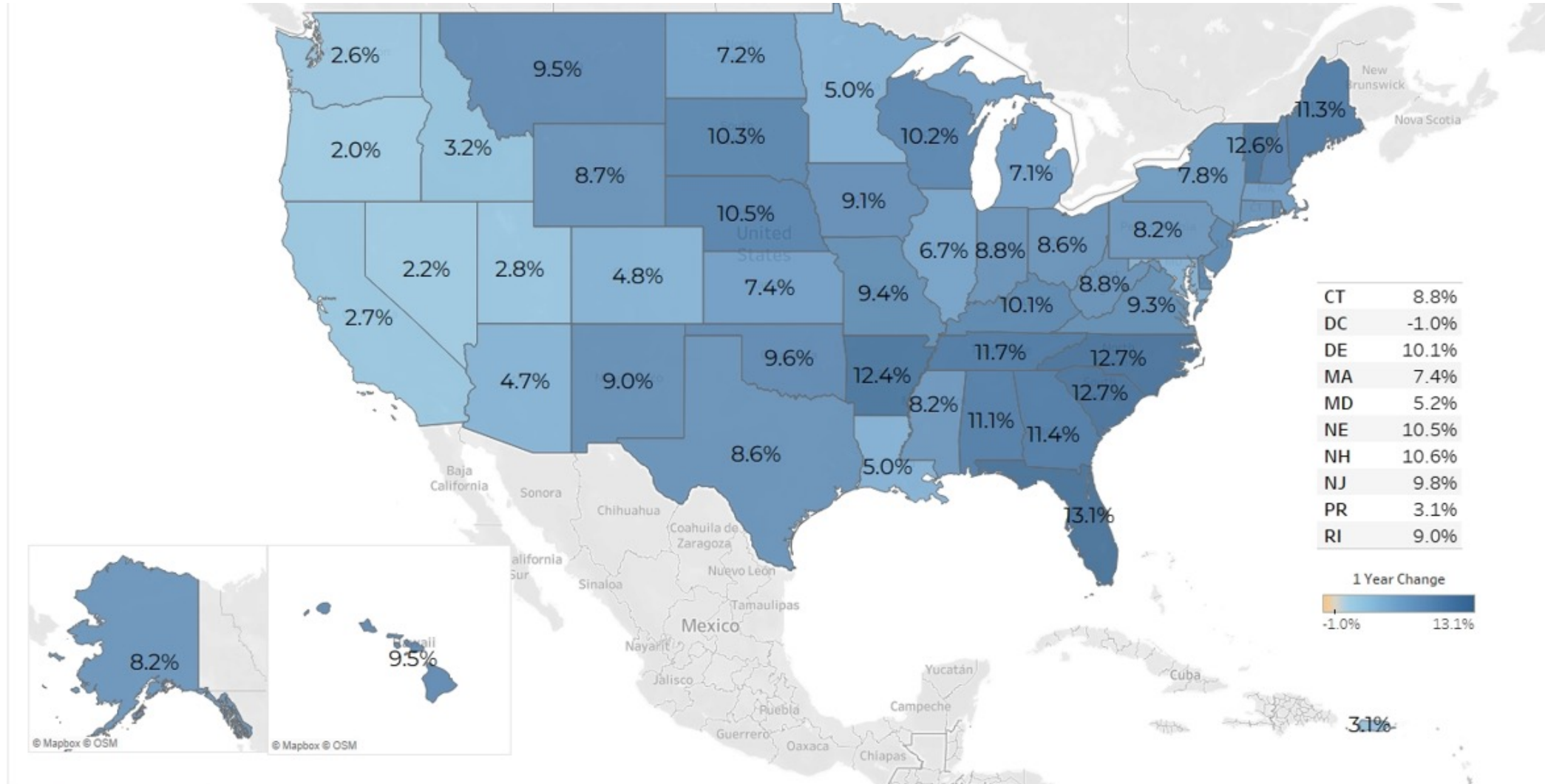
# Home Price Change in 2023 Q1 from prior quarter

FHFA House Price Index Annualized Change 2022 Q4 to 2023 Q1



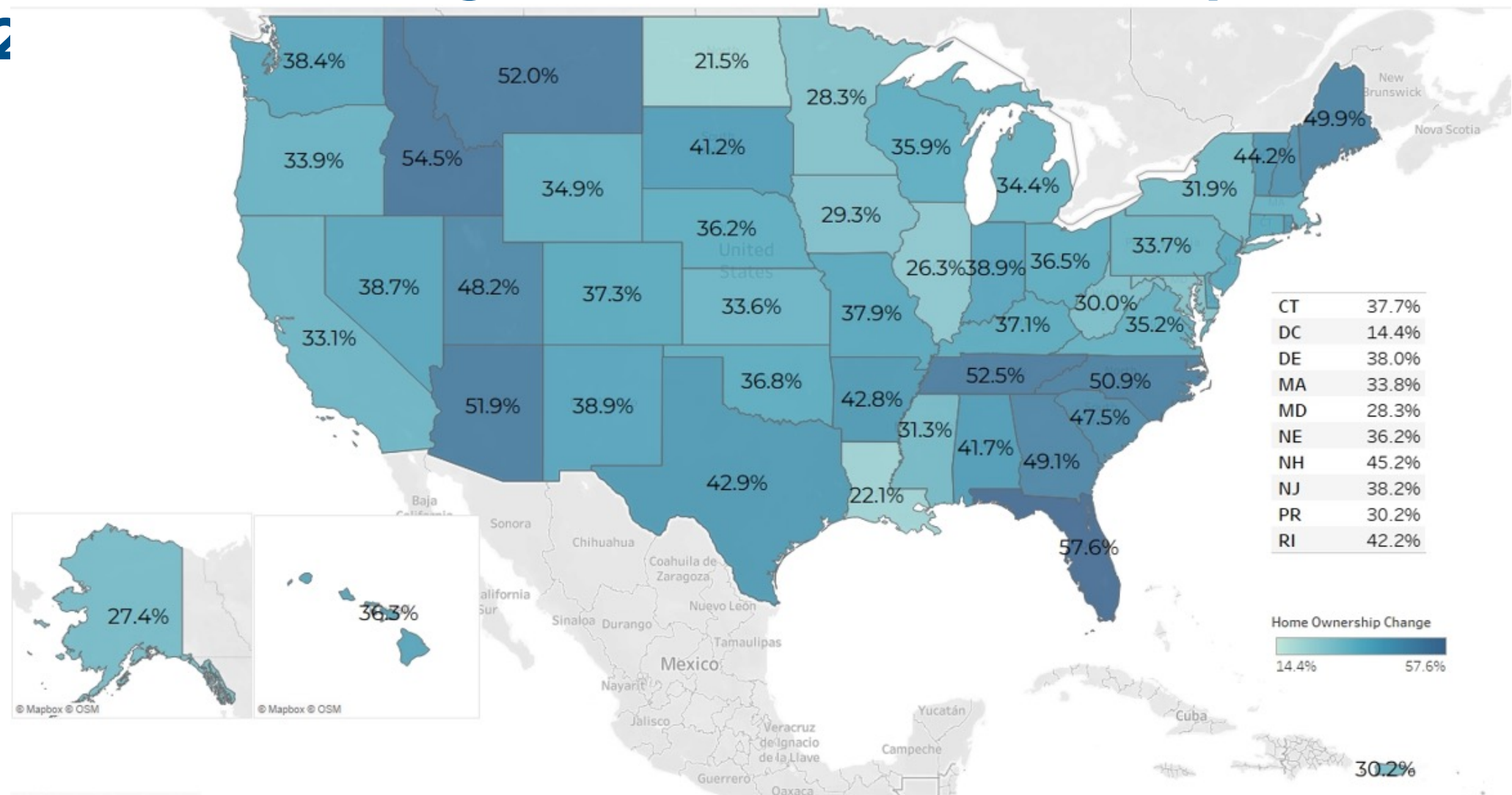
Source: NAR Analysis of FHFA data

# Home Price Change in 2023 Q1 from one year ago



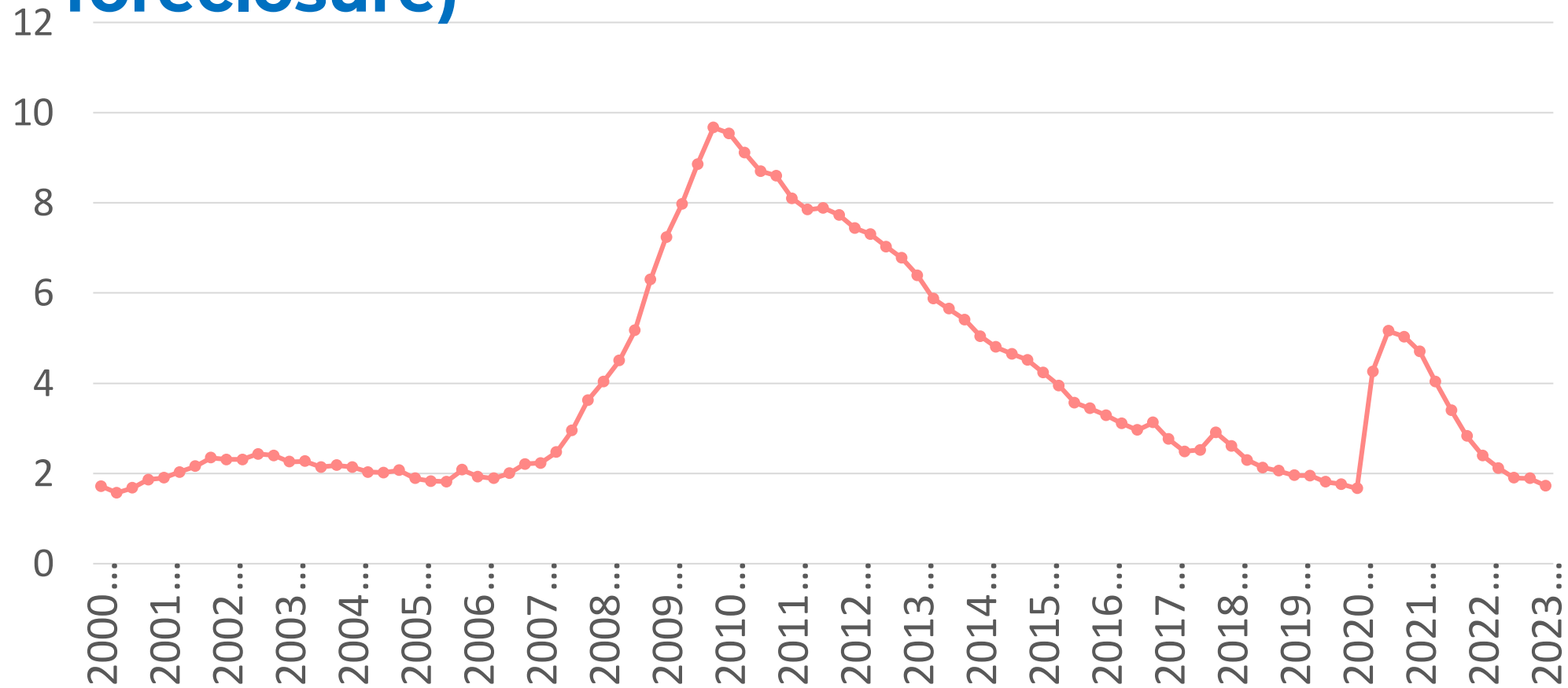
Source: NAR Analysis of FHFA data

# Home Price Change from onset of COVID (2020 Q1 to 2021 Q1)



Source: NAR Analysis of FHFA data

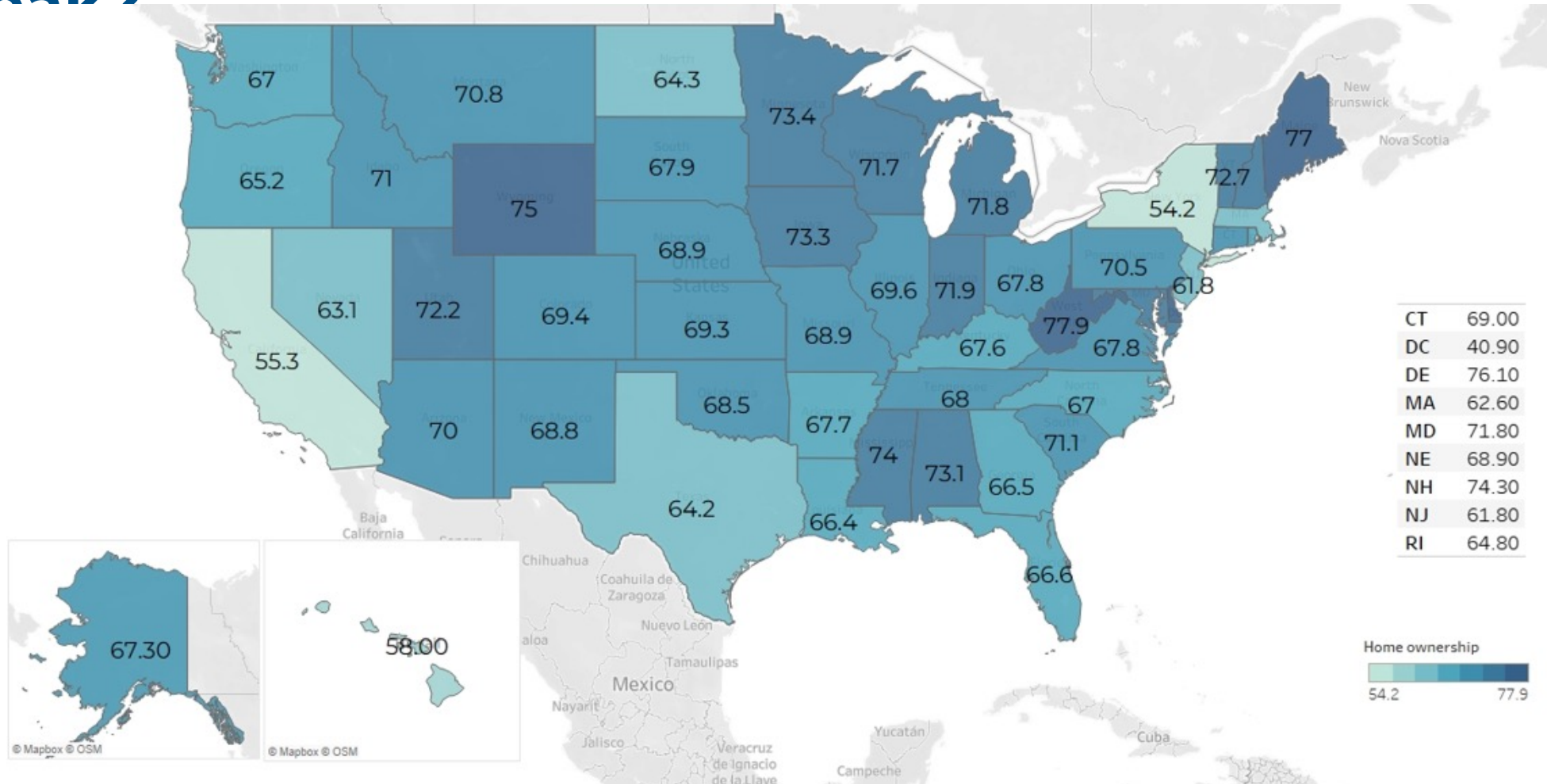
# Serious Mortgage Delinquency (Late by 90 days or foreclosure)



Source: Mortgage Bankers Association



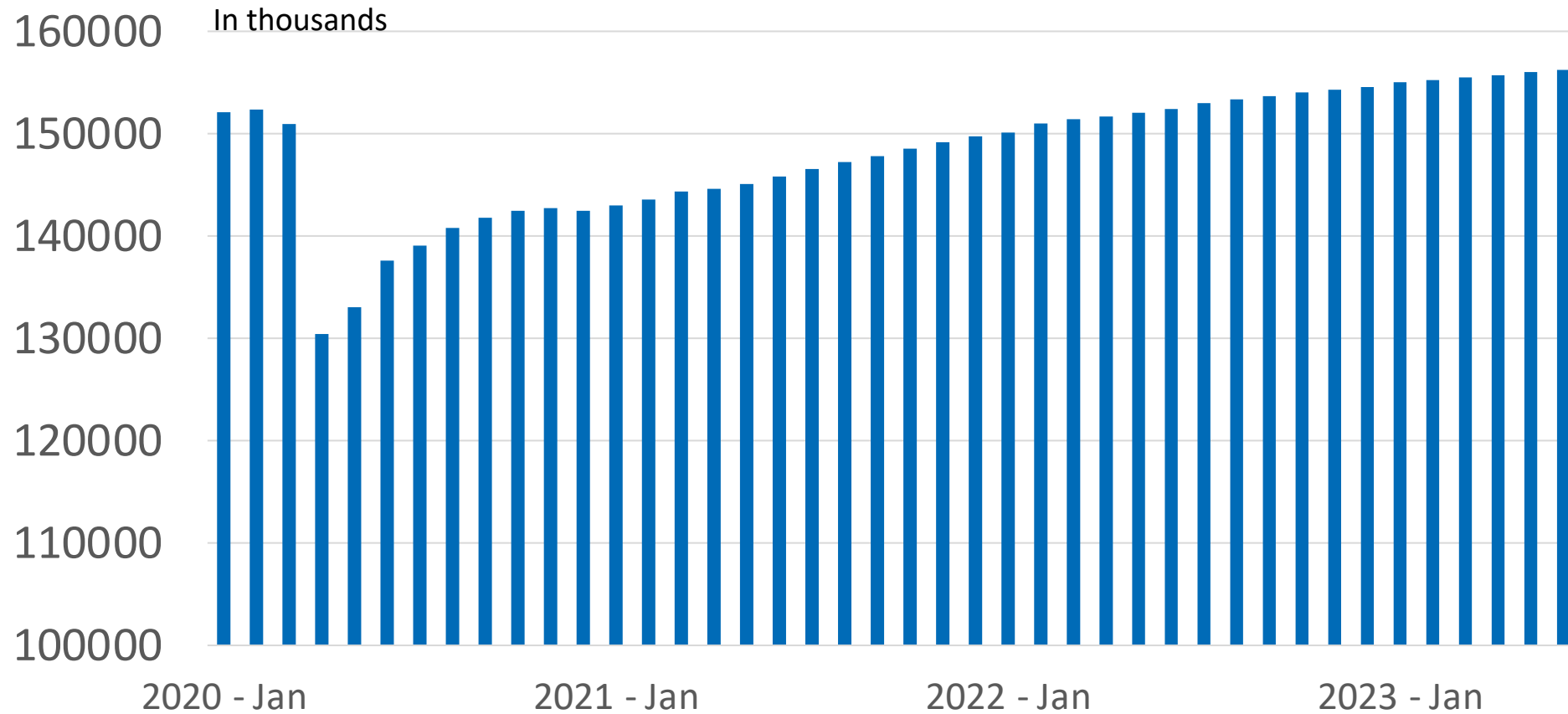
# Homeownership Rate by State ... And at Peak?



Source: NAR Analysis of FHFA data

# Job Market

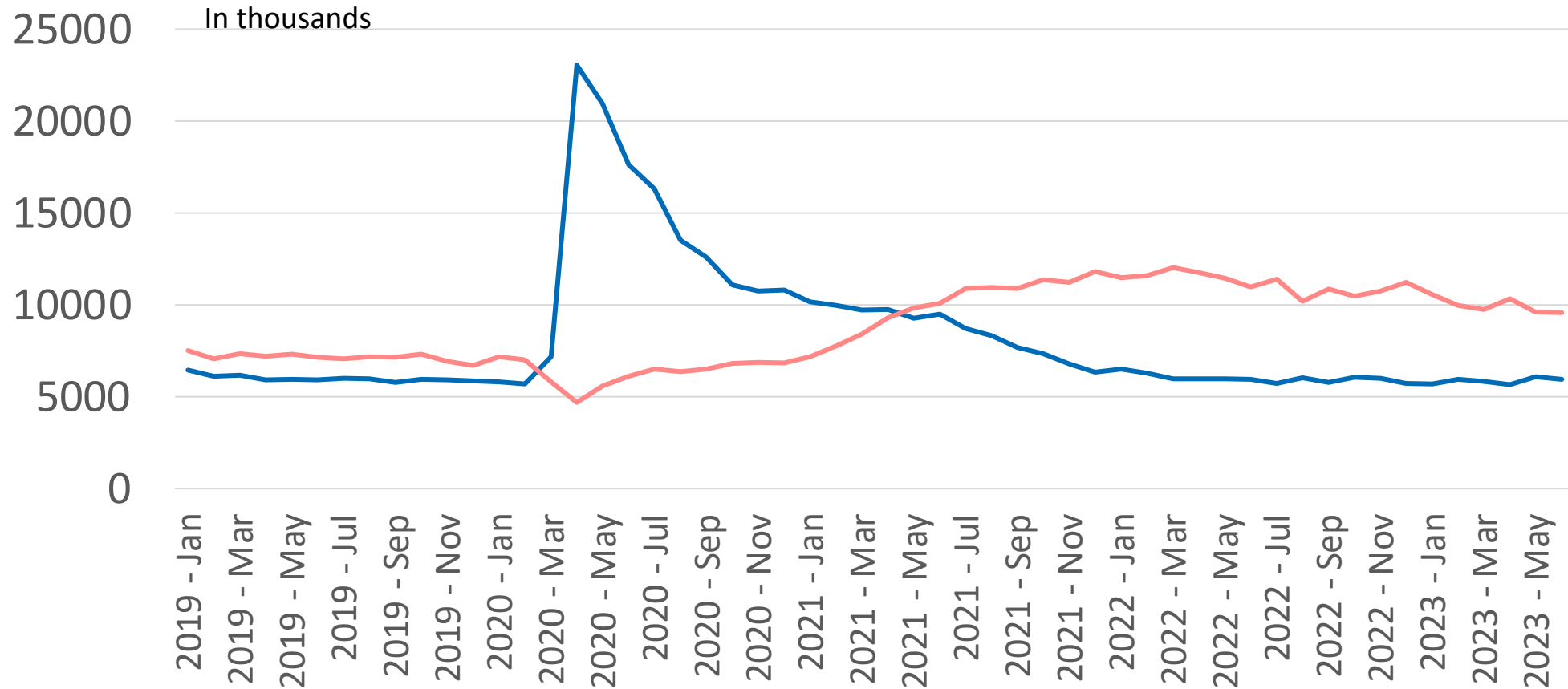
# Total Payroll Jobs ... 4 million more from pre-covid



Source: BLS

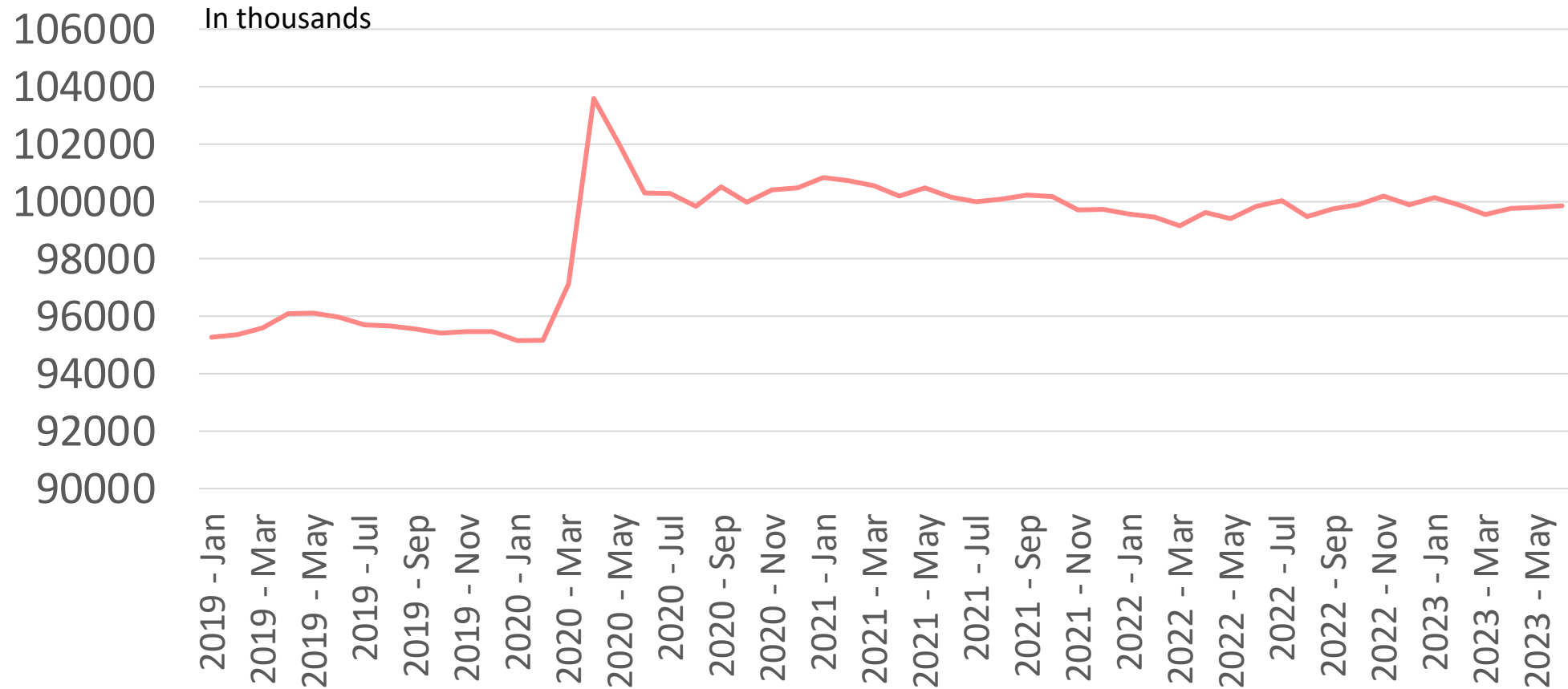


# Job Openings > Those Searching for Job



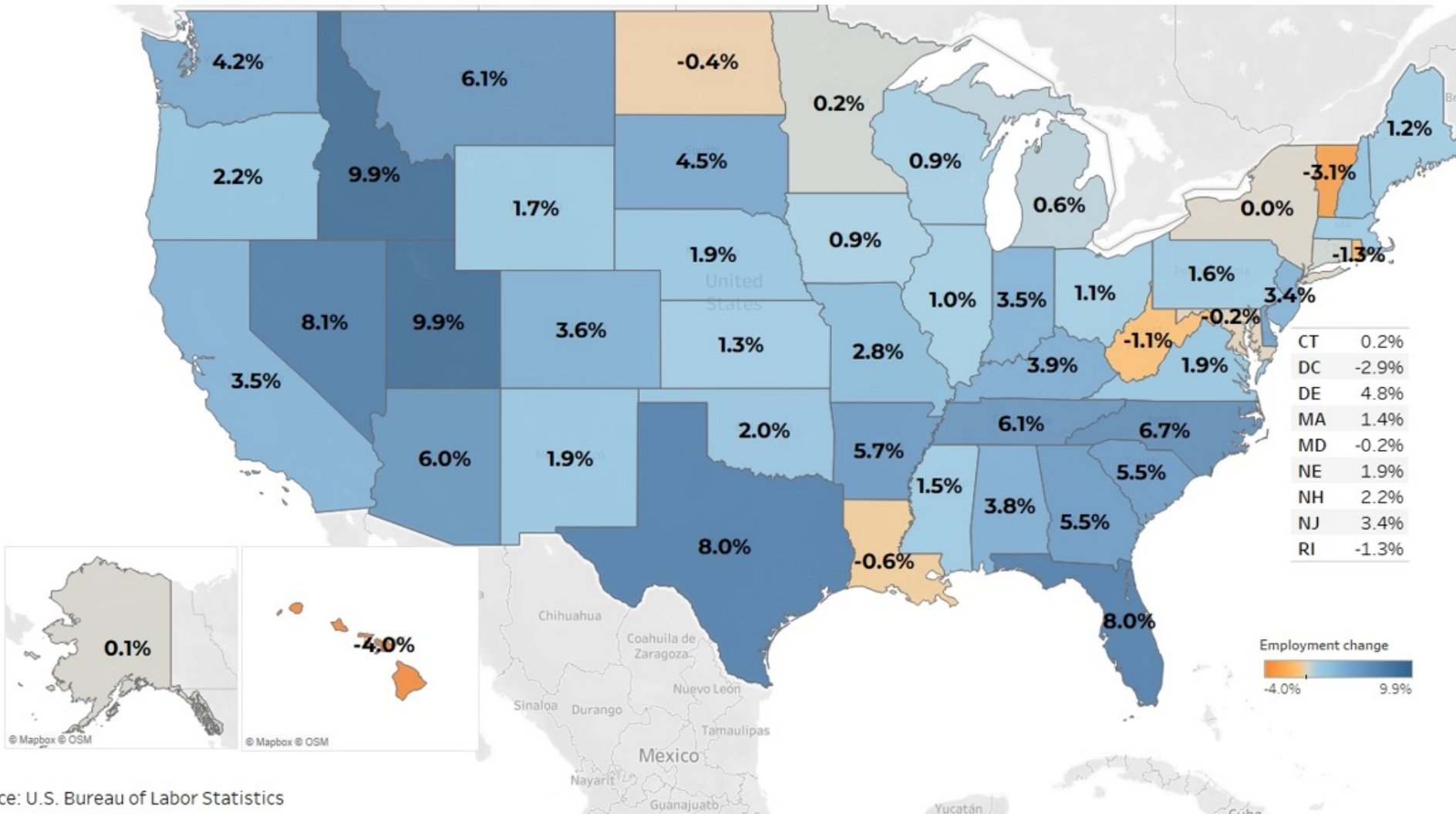
Source: BLS

# Out of Labor Force and Not Searching for Job



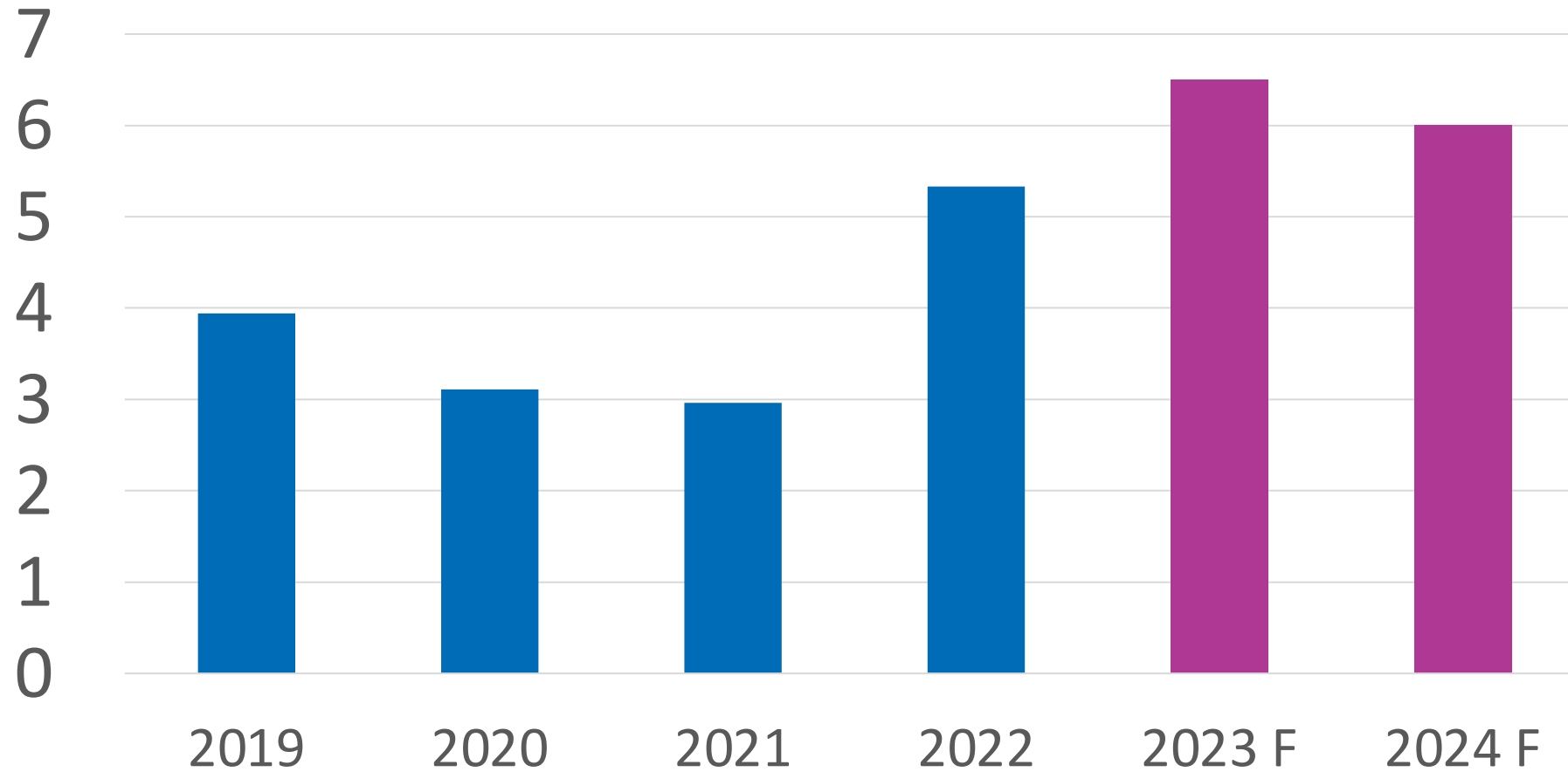
Source: BLS

# Job Gains Since Pre-Covid Record High Payroll Employment (% change from March 2020 to June 2023)



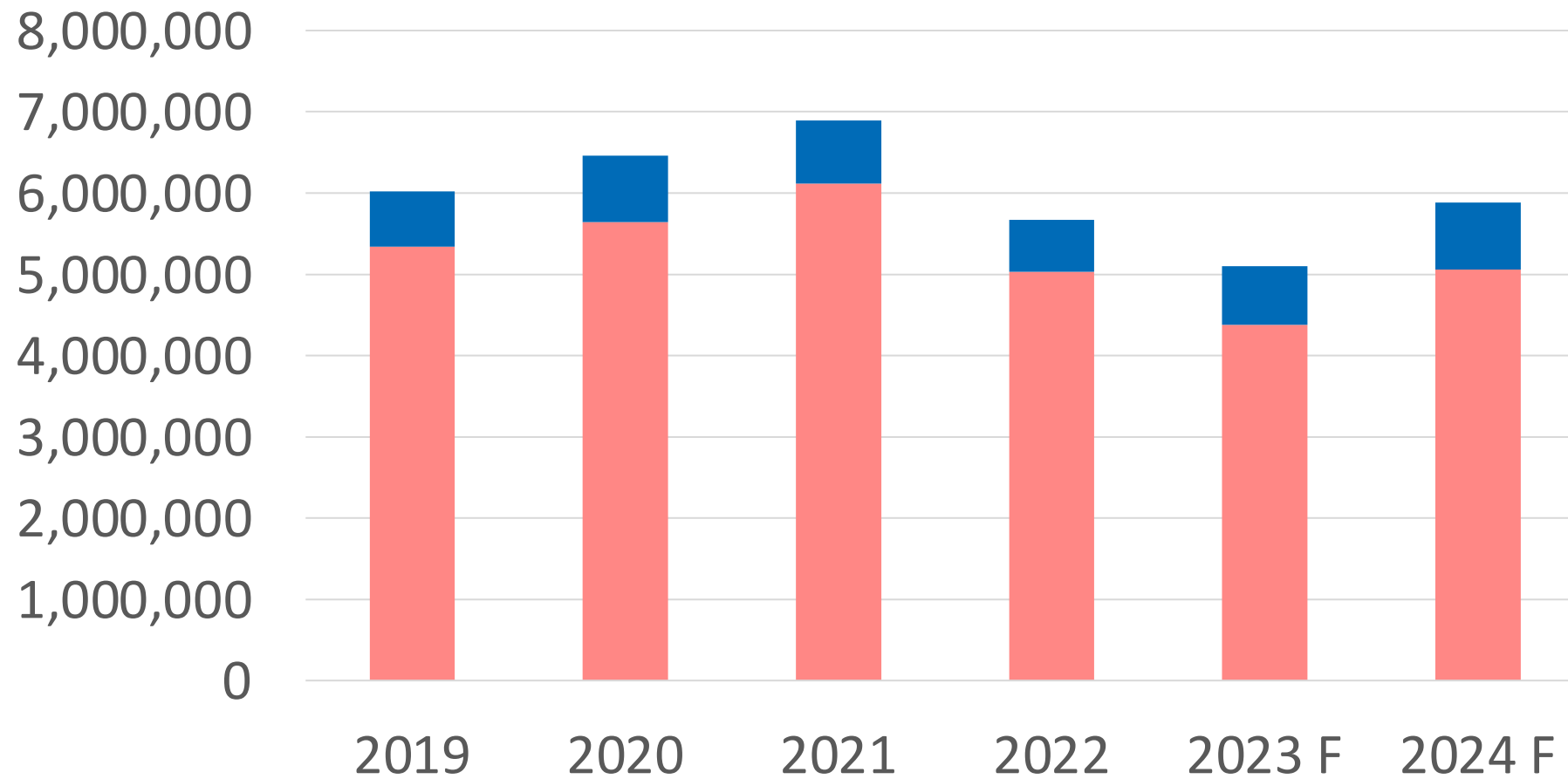
Source: NAR Analysis of BLS data

# Mortgage Rate Forecast



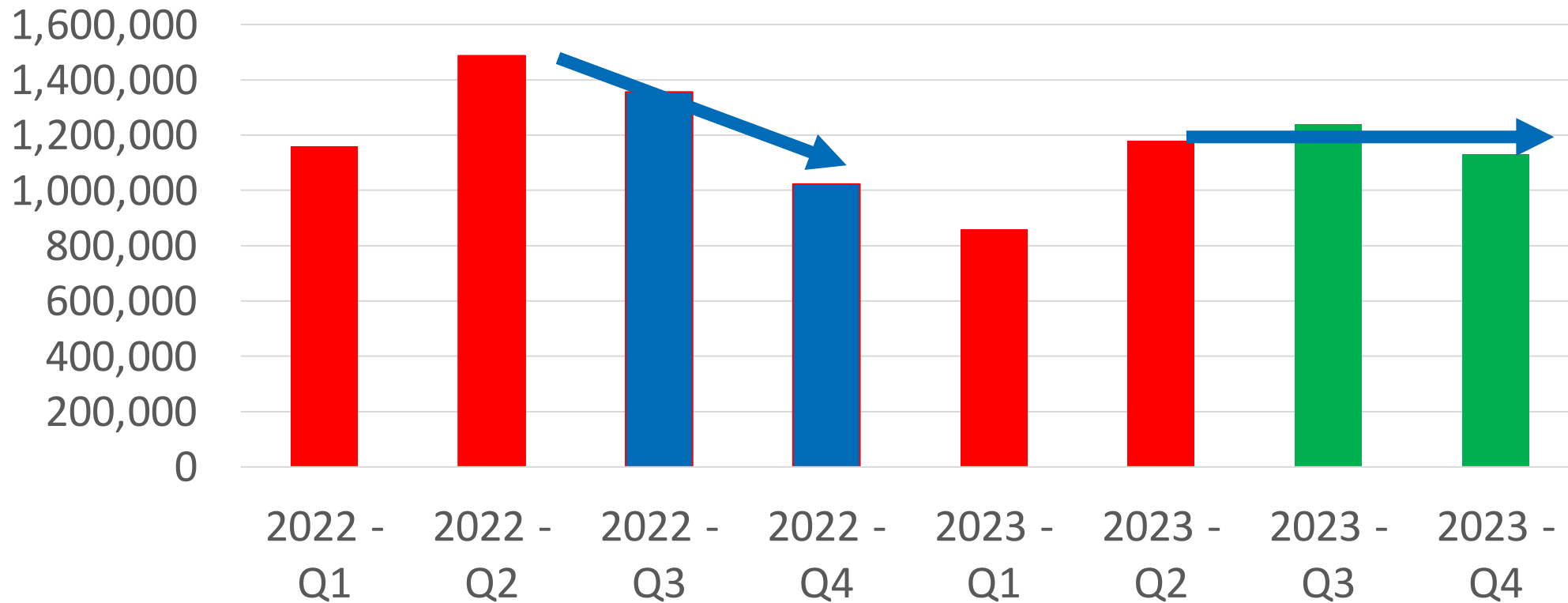
Source: Freddie Mac and NAR forecast

# Total Home Sales: New and Existing Bottoming this year before upturn next year



Source: NAR forecast and HUD

# Close-Up: Raw Count of Existing Home Sales in 2022 and 2023



Source: NAR

# Why Should Mortgage Rate Fall?

**30-year Fixed Rate to be near 6% by the year end**

- **Rents will calm down ... Holds down CPI ... and make the Fed stop raising interest rate**
- **Community banks are suffering from high interest rates**
- **Spread with government bond with**



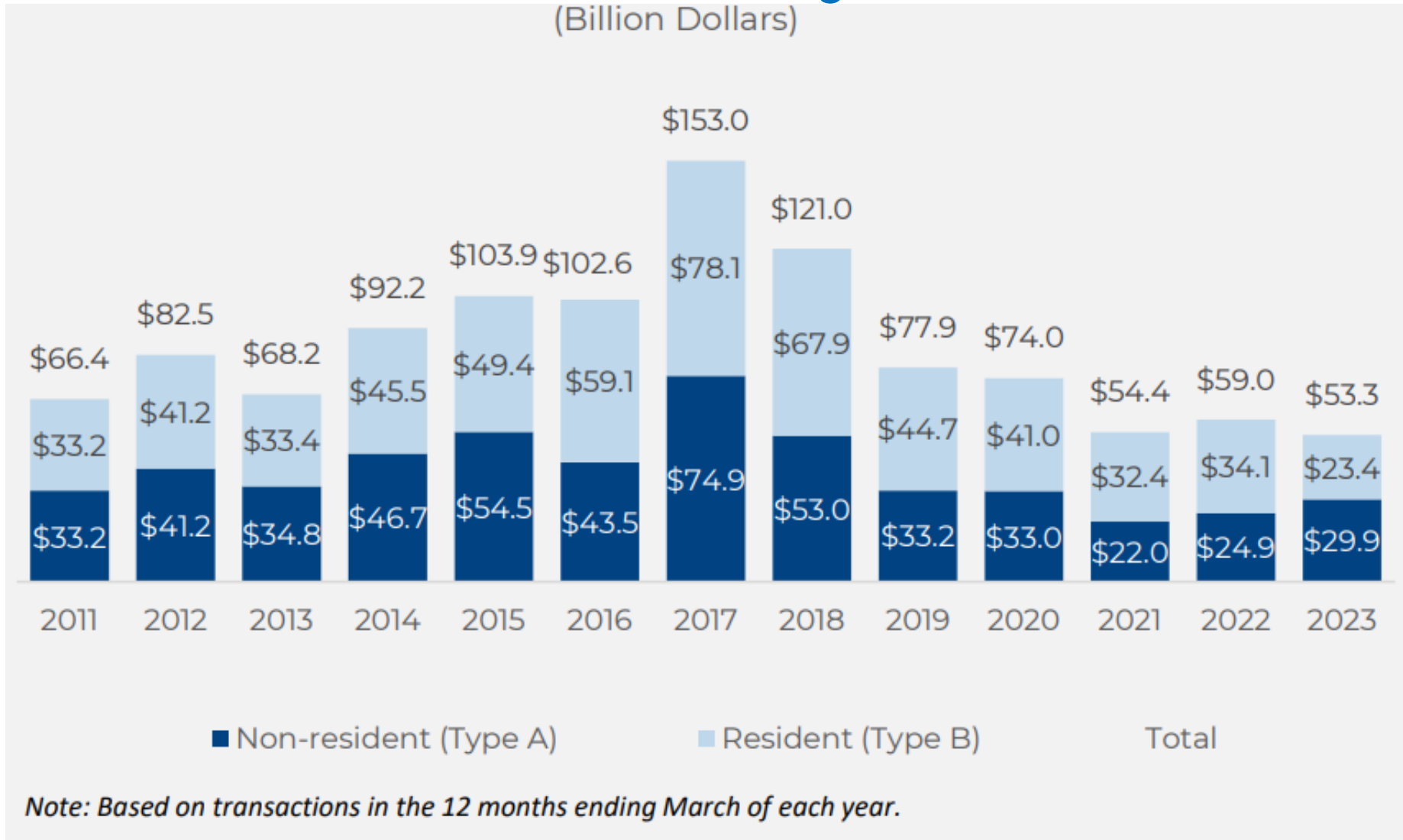
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ASSOCIATION OF  
REALTORS®**

# **International Home Buyers**

**Foreigners and Very Recent Immigrants**



# International Purchases by \$ Volume



Source: NAR

# Top Countries of Origin

|      | China* | Mexico | Canada | India | Colombia | All Foreign<br>Buyers | Share of<br>Top 5 |
|------|--------|--------|--------|-------|----------|-----------------------|-------------------|
| 2009 | \$3.8  | \$3.8  | \$8.5  | \$5.7 | \$0.5    | \$38.8                | 36%               |
| 2010 | \$11.2 | \$6.5  | \$17.1 | \$5.0 | \$0.5    | \$66.0                | 33%               |
| 2011 | \$7.0  | \$4.2  | \$13.1 | \$5.1 | \$0.6    | \$66.4                | 27%               |
| 2012 | \$12.0 | \$6.5  | \$15.9 | \$5.2 | \$0.6    | \$82.5                | 26%               |
| 2013 | \$12.8 | \$3.6  | \$11.8 | \$3.9 | \$0.5    | \$68.2                | 23%               |
| 2014 | \$22.7 | \$4.5  | \$13.8 | \$5.8 | \$0.5    | \$92.2                | 21%               |
| 2015 | \$28.5 | \$4.9  | \$11.2 | \$8.0 | \$0.9    | \$103.9               | 18%               |
| 2016 | \$27.3 | \$4.8  | \$8.9  | \$6.1 | \$1.2    | \$102.6               | 15%               |
| 2017 | \$31.7 | \$9.3  | \$19.0 | \$7.8 | \$1.0    | \$153.0               | 17%               |
| 2018 | \$30.4 | \$4.2  | \$10.5 | \$7.2 | \$1.2    | \$121.0               | 15%               |
| 2019 | \$13.4 | \$3.7  | \$8.0  | \$4.2 | \$0.8    | \$77.9                | 16%               |
| 2020 | \$11.5 | \$5.8  | \$9.5  | \$5.4 | \$1.3    | \$74.0                | 20%               |
| 2021 | \$4.8  | \$2.9  | \$4.2  | \$3.1 | \$1.1    | \$54.4                | 13%               |
| 2022 | \$6.1  | \$2.9  | \$5.5  | \$3.6 | \$1.0    | \$59.0                | 15%               |
| 2023 | \$13.6 | \$4.2  | \$6.6  | \$3.4 | \$0.9    | \$53.3                | 19%               |

Source: NAR

# Top Destinations by Foreign Buyers

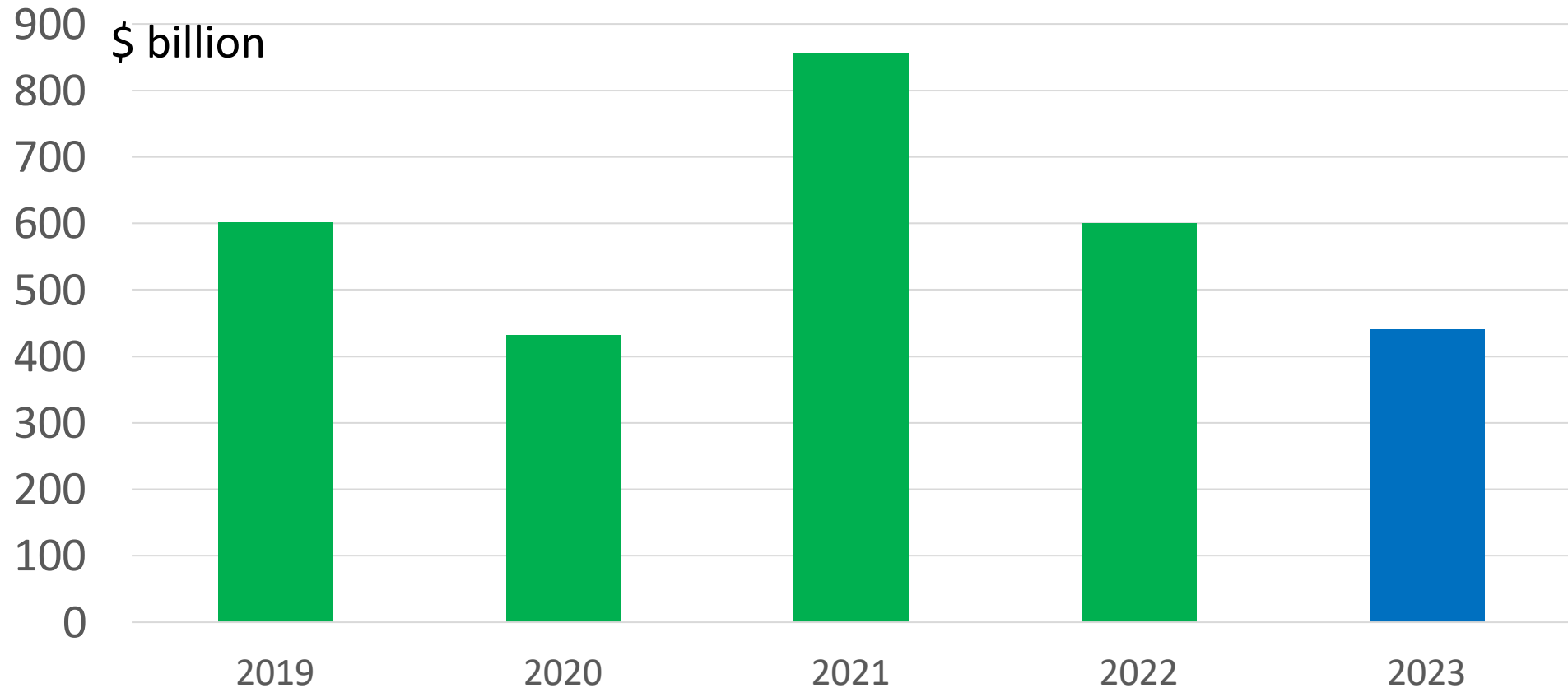
|      | FL  | CA  | TX  | NC | AZ  | IL | NY | OH | PA | NJ |
|------|-----|-----|-----|----|-----|----|----|----|----|----|
| 2009 | 23% | 13% | 11% | 3% | 7%  | 4% | 2% | 2% | 2% | 1% |
| 2010 | 22% | 12% | 8%  | 2% | 11% | 1% | 4% | 2% | 2% | 2% |
| 2011 | 31% | 12% | 9%  | 2% | 6%  | 3% | 3% | 1% | 2% | 3% |
| 2012 | 26% | 11% | 7%  | 2% | 7%  | 3% | 4% | 2% | 2% | 1% |
| 2013 | 23% | 17% | 9%  | 1% | 9%  | 2% | 3% | 2% | 1% | 2% |
| 2014 | 23% | 14% | 12% | 2% | 6%  | 3% | 3% | 1% | 3% | 3% |
| 2015 | 21% | 16% | 8%  | 2% | 5%  | 3% | 3% | 2% | 2% | 3% |
| 2016 | 22% | 15% | 10% | 3% | 4%  | 4% | 4% | 1% | 1% | 4% |
| 2017 | 22% | 12% | 12% | 3% | 4%  | 3% | 3% | 1% | 2% | 4% |
| 2018 | 19% | 14% | 9%  | 3% | 5%  | 3% | 5% | 3% | 2% | 4% |
| 2019 | 20% | 12% | 10% | 3% | 5%  | 3% | 3% | 2% | 1% | 4% |
| 2020 | 22% | 15% | 9%  | 3% | 3%  | 3% | 5% | 2% | 2% | 4% |
| 2021 | 21% | 16% | 9%  | 3% | 5%  | 3% | 4% | 3% | 1% | 4% |
| 2022 | 24% | 11% | 8%  | 4% | 7%  | 3% | 4% | 2% | 2% | 3% |
| 2023 | 23% | 12% | 12% | 4% | 4%  | 4% | 3% | 3% | 2% | 2% |

*Top 10 list is based on the most recent year.*

Source: NAR

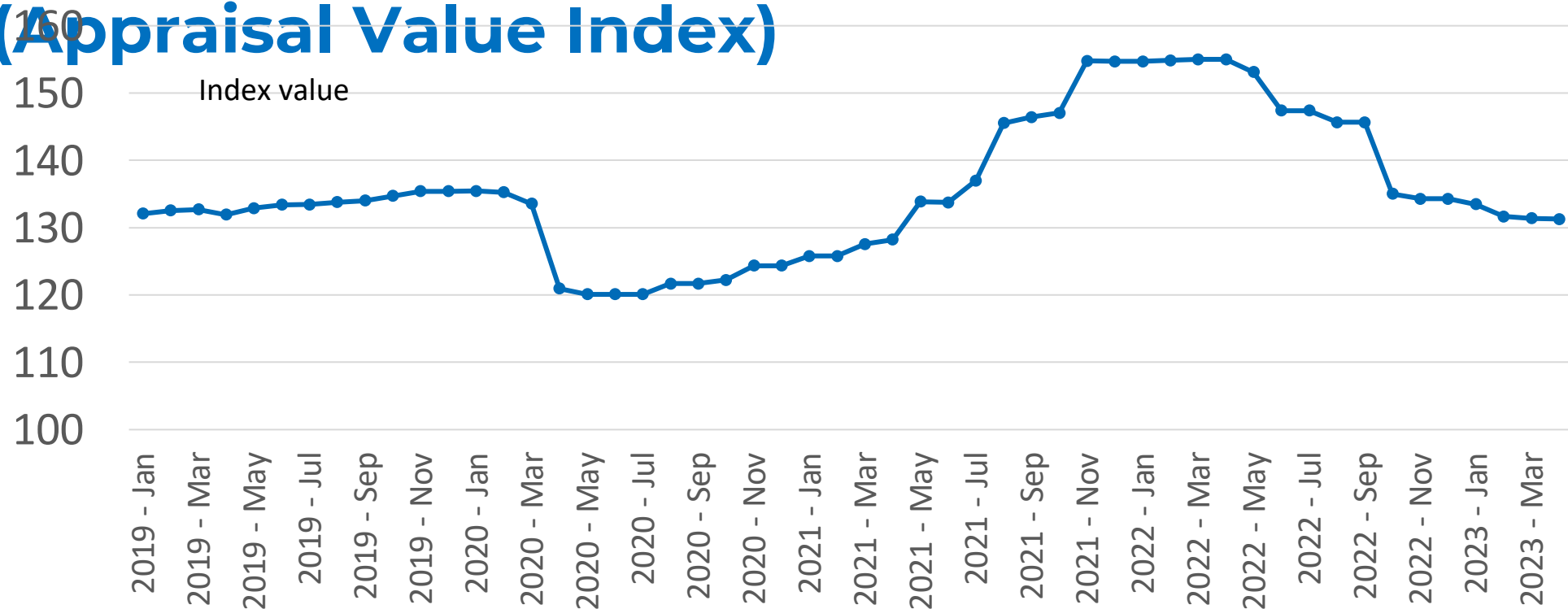
# Commercial Real Estate

# Commercial Real Estate Transactions (\$2.5 million property or greater)



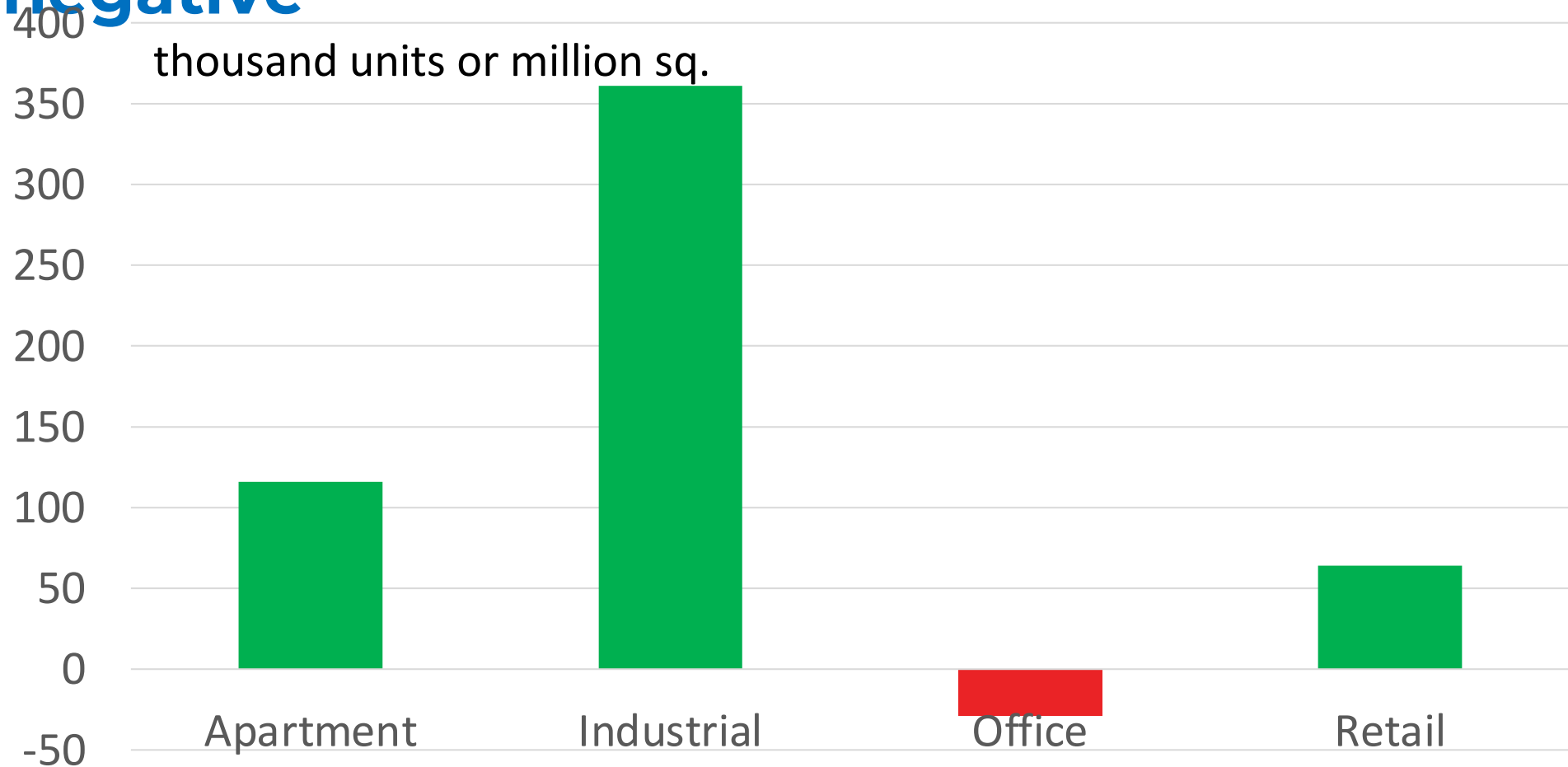
Source: MSCI/RCA

# Pressuring Commercial Property Prices to Fall ... 15% off Peak (Appraisal Value Index)



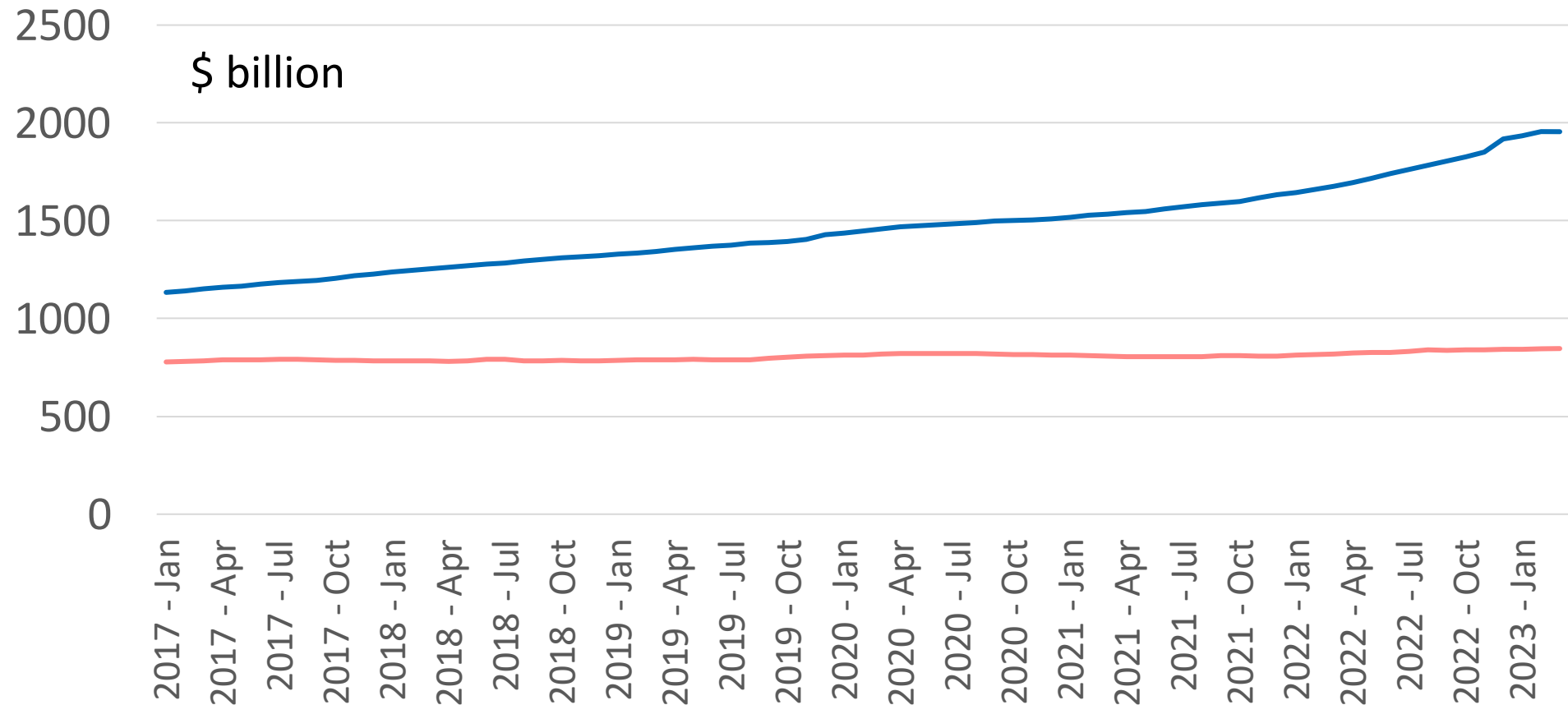
Source: Green Street Advisors

# Net Absorption past 12 months ... Office is still negative



Source: CoStar

# Commercial Real Estate Loans by Small Banks > Large Banks



Source: Federal Reserve



**THANK YOU !**